c. Accounts 1437 and 4361

103. In the *Notice*, the Commission sought comment on USTA's proposal to simplify deferred tax accounting by allowing carriers to book Account 1437, Deferred tax regulatory asset net of Account 4361, Deferred tax regulatory liability. USTA argues that carriers should be permitted to eliminate the requirement to calculate the gross up for the tax on tax effect.[202] Commenters addressing this issue contend, and we agree, that netting Accounts 1437 and 4361 would simplify deferred tax accounting.[203] We, therefore, revise sections 32.1437 and 32.4361 accordingly to reflect this change. We do not, however, agree with USTA that the requirement to gross-up for the tax on tax effect should be eliminated. The regulatory asset and liability accounts, as well as the tax gross up on the accounts, were incorporated into the USOA to allow carriers to adopt the GAAP method of accounting for income taxes without affecting rates or the IRS normalization requirements. We believe that eliminating the tax on tax gross up would cause us to possibly violate the IRS normalization rules with respect to investment tax credit and excess deferred tax amounts. Accordingly, we will retain the tax on tax gross up requirement in Part 32.

d. Expense limits

104. We revise the expense limit rules to include tools and test equipment located in the central office in the $2000 expense limit. Section 32.2000(a)(4) of the Commission's rules requires that the cost of individual items of equipment with a cost of $2000 or less or having a life of less than one year, classifiable in specified accounts, shall be charged to the applicable expense accounts rather than capitalized.[204] The expense limit reduces the cost of maintaining property records for the acquisition, depreciation, and retirement of a multitude of low-cost, high-volume assets. This expense limit applies to equipment classifiable in Account 2112, Motor vehicles; Account 2113, Aircraft; Account 2114, Tools and other work equipment; Account 2122, Furniture; Account 2123, Office equipment; and Account 2124, General purpose computers, except for personal computers falling within Account 2124. Personal computers classifiable to Account 2124, with a total cost for all components of $500 or less, are charged to the applicable Plant Specific Operations Expense accounts. We have periodically increased the expense limit due to the effects of inflation, technological changes, and changes in the telecommunications regulatory environment.[205] In addition, Responsible Accounting Officer Letter No. 6, increased

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[202] USTA Comments at 13.

[203] *See, e.g.*, Oregon Comments at 4; Wisconsin Comments at 8; Sprint Comments at 13; Verizon Comments at 8; USTA Comments at 13.

[204] 47 C.F.R. § 32.2000(a)(4).

[205] The limit was raised from $25 to $50 in 1974, *see* Amendment of Part 31 (Uniform System of Accounts for Class A and Class B Telephone Companies) to Increase the Monetary Limit Where Capitalization is Appropriate from $25 to $50, Docket No. 20110, *Report and Order*, 47 FCC 2d 1153 (1974), from $50 to $200 in 1981, *see* Amendment of the Uniform System of Accounts to Increase the Dollar Limit for Expensing Minor Items, CC Docket No. 81-273, *Report and Order*, 87 FCC 2d 1137 (1988), from $200 to $500 in 1988, *see* Revision to Amend Part 31, Uniform System of Accounts for Class A and Class B Telephone Companies as it Relates to the Treatment of Certain Individual Items of Furniture and Equipment Costing $500 or Less, CC Docket No. 87-135, *Report and Order*, 3 FCC Rcd 4464 (1988), and from $500 to $2000, Revision to Amend Part 32, Uniform System of Accounts for Class A and Class B Telephone Companies to Raise the Expense Limit for Certain Items of Equipment from $500 to $2000, CC Docket No. 95-60, *Report and Order*, 12 FCC Rcd 7566 (1997) (*Expense Limit Order*). In the *Expense Limit Order*, we specifically excluded from the $2000 expense limit all personal computer components falling within Account 2124, General purpose computers. The cost of operating system software was

from $200 to $500 the limit for expensing the tools and test equipment included in the central office plant accounts.[206]

105. In the *Notice*, the Commission sought comment on whether the expense limit rules should be modified again. Specifically, the Commission sought comment on raising the expense limit from $500 to $2000 for both Account 2124, General support computers and the tools and test equipment included in the central office plant accounts.

106. We conclude that the tools and test equipment located in the central office should be included in the $2000 limit because these assets are virtually the same as the tools and test equipment located in the general support function.[207] Moreover, tools and test equipment are generally individual units rather than components of a larger unit. Therefore, we are revising our expense limit rules to include the central office tools and test equipment.

107. We conclude that we should not increase the expense limit to $2000 for personal computers. As several commenters observe, circumstances have not changed significantly since 1997, and an extension of the expense limit to all plant accounts is not warranted.[208] Moreover, commenters assert that personal computers and peripheral equipment generally cost less than $1000 and increasing the expense limit to $2000 would result in very little, if any, capitalization of these assets.[209] We conclude that personal computers should be subject to a special limit because of the nature of these assets. Individual personal computers are made up of relatively low cost components, such as the monitor, keyboard, and CPU, that should be looked at as a single unit for purposes of applying the expense limit. Moreover, although relatively low cost individually, personal computers are part of larger networks within each company and represent substantial investments. These investments should be capitalized. Accordingly, we do not revise the rules regarding personal computers.

e. Incidental activities

108. We adopt the proposal in the *Notice* to eliminate the "treated traditionally" requirement from incidental activities. Under section 32.4999(l) of the Commission's rules, revenues from minor nontariffed activities that are an outgrowth of the carrier's regulated activities may be recorded as regulated revenues under certain conditions.[210] These activities, known as "incidental activities," must: (1) be an outgrowth of regulated operations; (2) have been treated traditionally as regulated; (3) be a non-line-of business activity; and (4) result in

excluded from the $500 expense limit for personal computers. *See Accounting Reductions Report and Order*, 14 FCC Rcd at 11420, ¶ 50.

[206] Responsible Accounting Officer Letter 6, Part 32, Uniform System of Accounts for Class A and Class B Carriers - Item Lists, 4 FCC Rcd 1965 (revised Feb. 13, 1989, rel. Feb 27, 1989).

[207] *See, e.g.*, Florida Comments at 9; NARUC Comments at 7; Idaho Comments at 6; Wisconsin Comments at 14; Sprint Comments at 17; GSA Comments at 7 & Reply Comments at 13; Verizon Comments at 10; USTA Comments at 20.

[208] *See, e.g.*, Florida Comments at 9; NARUC Comments at 7; Idaho Comments at 6.

[209] *See, e.g.*, Florida Comments at 9; NARUC Comments at 8; Idaho Comments at 6. *See also* GSA Reply Comments at 13.

[210] 47 C.F.R. § 32.4999(l).

revenues that, in the aggregate, represent less than one percent of total revenues for three consecutive years.[211]

109. Accounting for incidental activities as regulated revenues obviates the need to make detailed cost allocations to remove the costs of the nonregulated activity from regulated costs. Carriers must list their incidental activities in their CAM.[212] They may not add new incidental activities because of the "treated traditionally" criterion. In the *Notice*, the Commission proposed eliminating the "treated traditionally" criterion. This would permit carriers to add to their incidental activities, provided that the remaining three criteria were satisfied. We find that the three remaining criteria provide sufficient safeguards to prevent misuse of the incidental activities exception. This modification will result in a lessened regulatory burden as new incidental activities are identified.[213]

110. We are not persuaded that the one-percent revenue ceiling should be raised.[214] Incidental activity accounting allows carriers to avoid the burden of full nonregulated activity accounting for minor activities that are an outgrowth of their regulated activities. Incidental activity accounting has not been permitted for an activity that is a separate line of business. A separate line of business must be accounted for as a nonregulated activity regardless of its size. The one-percent ceiling recognizes that an activity that begins as an incidental activity may grow into a separate line of business that requires accounting as a nonregulated activity. For example, one percent of Verizon's total revenues exceeds $400 million. If Verizon had an incidental activity with revenue greater than that, it would raise a question of whether it should be accounted for as a separate line of business. Moreover, if the one-percent limit is reached and a carrier has several incidental activities, it would only be necessary to remove from incidental activity accounting the activity or activities that would drop the total incidental activities to less than one percent.

f. Allocation of costs at Class B level

111. Section 64.903 of the Commission's rules requires incumbent LECs with annual operating revenues from regulated telecommunications operations equal to or above a designated indexed revenue threshold,[215] to file cost allocation manuals annually setting forth the procedures that they use to allocate costs between regulated and nonregulated services.[216] In the *Notice*, we

[211] *See* 47 C.F.R. § 32.4999(l); *Joint Cost Order*, 2 FCC Rcd at 1308, ¶ 78. For example, in its CAM filed on December 31, 1993, Citizens Utilities Company listed six activities that it treated as incidental: land and building space rental, pole contact and conduit space rental, incidental custom work, operator services not covered by tariff, customer list sales for equal access, and scrap material. *See* Citizens Utilities Company Permanent Cost Allocation Manual for the Separations of Regulated and Nonregulated Costs, AAD 94-6, *Memorandum Opinion and Order*, 10 FCC Rcd 16, 17, ¶ 9 (1994).

[212] 47 C.F.R. § 64.903(a).

[213] GSA Comments at 7 & Reply Comments at 12-13. Sprint, Verizon, and USTA also support the proposal. *See* Sprint Comments at 16; Verizon Comments at 10; USTA Comments at 19-20.

[214] *See* Sprint Comments at 16.

[215] *See* "Annual Adjustment of Revenue Threshold," *Public Notice*, DA 01-903 (rel. Apr.11, 2001) (adjusting annual indexed revenue threshold to $117 million).

[216] 47 C.F.R. § 64.903.

sought comment on USTA's proposal that the Commission allow all carriers the option to allocate Part 64 costs at a Class B level.[217]

112. We decline to adopt USTA's proposal to allow all carriers to allocate all part 64 costs at the Class B level. We conclude that it is necessary to continue to require Class A carriers to allocate costs at the Class A level for the limited number of Class A accounts needed for the administration of the universal service high-cost support mechanism as set forth in Appendix E.[218] As discussed above, the Commission uses Class A accounting information to develop certain input values used in the universal service model and, therefore, we retain certain Class A accounts relating to network plant and related asset and expense accounts. Universal service support for non-rural carriers is based on the forward-looking cost of providing the supported services. Input values are derived using a carrier's regulated costs. For example, a Class A carrier that uses fifty percent of its fiber facilities and eighty percent of its copper facilities to provide regulated services currently reports the allocation associated with each type of plant. Under USTA's proposal, however, carriers' would merely report an aggregate allocation amount for all outside plant in a single account, which would cause distortions in the model's outside plant cost estimates.

g. Section 32.16 requirement for implementing new accounting standards

113. In the *Notice*, the Commission sought comment on USTA's proposal to eliminate the section 32.16 requirement for notification and approval to implement new accounting standards prescribed by the Financial Accounting Standards Board (FASB). Section 32.16 of the Commission's rules requires carriers to revise their records and accounts to reflect new accounting standards prescribed by FASB. This section provides that Commission approval of a change in an accounting standard shall automatically take effect 90 days after a carrier notifies the Commission of its intention to follow a new standard and files a revenue requirement study for the current year analyzing the effects of the accounting standards changes.[219] USTA argues that incumbent LECs should be permitted to simply adopt new FASB standards, without Commission review and without performing any revenue requirement studies.[220]

114. We are not persuaded that we should eliminate our ability to determine whether it is appropriate for carriers to implement accounting changes. Accounting standard changes often raise questions regarding exogenous treatment under price cap rules and that when they do, cost data must be available to resolve such issues.[221] Several commenters disagree with USTA's position, observing that mere compliance with GAAP does not ensure compliance with the

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[217] *See Notice* at ¶ 43; USTA Letter at Attachment A.

[218] *See* Appendix E.

[219] In the *Accounting Reductions Report and Order*, the Commission liberalized this rule by requiring a revenue study only for the current year, rather than for three years into the future. In that proceeding, the Commission declined to adopt the suggestion that price cap incumbent LECs should be allowed to adopt new standards without notification. *See Accounting Reductions Report and Order*, 14 FCC Rcd at 11413, ¶ 35.

[220] USTA Comments at 14.

[221] The Commission's exogenous cost rules allow carriers under price caps to increase their interstate rates to reflect cost increases caused by accounting changes.

Commission's rules.[222] Commenters argue, and we agree, that the prior review period permits the Commission to ensure uniformity in LEC accounting practices and allows the Commission to assess the implications of GAAP changes for LEC revenue requirements.[223]

115. We agree with the RUS that GAAP standards frequently allow several options or alternatives to implement accounting changes.[224] We believe that the 90-day period is sufficient for the Commission's accounting staff to review GAAP changes to determine what guidance should be given to carriers. Sometimes this guidance can be done easily in the form of an RAO letter.[225] At other times, rulemakings are necessary to implement accounting changes.[226] It is, however, important for the Commission's staff to know how those changes are being implemented.

116. For these reasons, we retain the requirement for carriers to notify the Commission of their intentions to adopt a FASB change and how the carrier intends to implement this change. We eliminate, however, the requirement to provide a revenue requirement study. We agree with USTA that this requirement is burdensome and that there are alternative methods for assessing the revenue effects of these changes.

3. Current Rules Maintained

a. Charges to plant accounts

117. Section 32.2003(b) is an exception to the general rule that construction costs are recorded in Construction Work-in-Progress accounts until the construction project is completed. It allows carriers to charge directly to the appropriate plant accounts the cost of any construction project that is estimated to be completed and ready for service within two months from the date on which the project was begun.[227] In addition, this section allows carriers to charge directly to the plant accounts the cost of any construction project for which the gross additions to the plant are estimated to amount to less than $100,000. The purpose of this exception is to allow carriers to record short-term and small-cost construction projects directly to the plant accounts without having to first record these costs in the Construction Work-in-Progress accounts. This exception is acceptable for Commission purposes because it has no material affect on carrier cost or rates, and it is acceptable under GAAP because GAAP's definition of materiality is more lenient than the Commission's.

118. The *Notice* sought comments on USTA's proposal that carriers should be permitted to determine materiality for plant work-in-progress accounting.[228] In particular, USTA

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[222] *See, e.g.*, AT&T Comments at 4-5 & Reply Comments at 11; WorldCom Comments at 4-5; Sprint Comments at 13-14; RUS Comments at 3; GSA Reply Comments at 10-11.

[223] *See, e.g.*, WorldCom Comments at 4; Wisconsin Comments at 9.

[224] RUS Comments at 3.

[225] *See, e.g.*, Responsible Accounting Officer Letter 31, Cost Allocation Manual Audit Requirements for Large Incumbent Local Exchange Carriers, DA 00-2385, (rel. Dec. 21, 2000).

[226] *See, e.g.*, *Accounting Reductions Report and Order*, 14 FCC Rcd at 11416-420, ¶¶ 42-51 (adopting GAAP with respect to accounting for computer software costs).

[227] 47 C.F.R. § 32.2003(b).

[228] *Notice* at ¶ 24. *See also* USTA Petition, Attachment at 6.

sought additional flexibility to record construction projects in the relevant account rather than a work-in-progress account.

119. We decline to accept USTA's proposal because allowing carriers to set their own materiality levels for deciding when construction costs and assets should be capitalized would give carriers an incentive to capitalize large dollar amounts of uncompleted construction. Our current rules ensure that carriers have an opportunity to earn the authorized rate of return on the interstate portion of all investment they make in the telephone network, while reducing the amount recovered from ratepayers for assets under construction during the period in which they are under construction.[229] The revenue requirement offset method effectively limits the amount that current ratepayers pay for assets prior to their placement into service.[230] Moreover, allowing carriers to establish their own materiality level for capitalizing plant work in progress accounting, as proposed, would eliminate the uniformity and consistency in reporting that Part 32 strives to achieve. Consistency and uniformity in carriers' books of accounts should be maintained so that we can readily compare their regulatory operating results. We, therefore, decline to adopt USTA's proposal.

b. Continuing property records

120. In the *Notice*, the Commission sought comment on USTA's proposal to eliminate detailed requirements for property record additions, retirements, and recordkeeping. The property records consist of continuing property records (CPR) and all supplemental records necessary to provide the property record details required by the Commission.[231] Many commenters contend that the property records are necessary to ensure that the network plant accounts accurately reflect those assets in service.[232] We concur and decline to adopt USTA's proposal.

121. CPR records provide data for cost allocations studies used in state regulatory proceedings. In addition, these records provide material-only costs for accounting for transfers, reallocations, and adjustments of plant.[233] State regulators rely heavily on the CPR records in their

[229] *See* Utah Comments at 2.

[230] In 1995, the Commission adopted the revenue requirement offset method for construction projects to allow carriers to earn the authorized rate of return on all construction projects and to conform accounting for Allowance for Funds Used During Construction (AFUDC) to GAAP. Under the revenue requirement offset method, Telephone Plant Under Construction (TPUC) is included in the rate base during the construction period and the AFUDC is recognized as part of that cost of construction. To prevent double recovery, the current year's AFUDC is treated as a revenue amount for ratemaking purposes. For cost of service companies, this credit reduces the carrier's revenue requirement. *See* Accounting and Ratemaking Treatment for the Allowance for Funds Used During Construction (AFUDC), CC Docket No. 93-50, *Report and Order*, 10 FCC Rcd 2211, 2213, ¶ 10 (1995).

[231] 47 C.F.R. § 32.2000(e)(3).

[232] *See, e.g.*, Florida Comments at 7; Idaho Comments at 5; Maryland Comments at 4; NARUC Comments at 6; Oregon Comments at 4 (if proposal is adopted, OPUC will require carriers to maintain the information); ALTS Reply Comments at 12; AT&T Reply Comments at 10-11; XO Communications Reply Comments at 14-15; NASUCA Oct. 4, 2001 *ex parte* at 4. NASUCA observes that our CPR rule is consistent with the Foreign Corrupt Practices Act of 1977 that applies to any domestic firm engaged in business with a foreign entity. *Id.*

[233] *See, e.g.*, Florida Comments at 7; Maryland Comments at 4; NARUC Comments at 6; Idaho Comments at 5.

local ratemaking processes.[234] The attached Further Notice of Proposed Rulemaking seeks comment on whether there are alternative avenues for states to gather whatever information pertaining to property records they need for state regulatory proceedings, and whether there are any federal or state regulatory needs served by our CPR rules that cannot be met through alternative mechanisms. The Further Notice also seeks comment on eliminating the CPR rules in three years.

c. Cost allocation forecasts

122. The Commission's cost allocation rules require that costs be allocated between regulated and nonregulated activities. Carriers are required to assign costs directly to regulated and nonregulated activities, whenever possible. Costs that cannot be directly assigned are known as "shared" or "common costs" and are allocated between regulated and nonregulated use based on a hierarchy of principles. Section 64.901(b)(4) of the Commission's rules requires that carriers allocate the costs of central office equipment and outside plant investment between regulated and nonregulated activities based on a forecast of the relative regulated and nonregulated usage during a three calendar year period beginning with the current calendar year.[235] The policy consideration underlying this rule recognizes that investment decisions are made in anticipation of future use. In the *Notice*, the Commission sought comment on USTA's proposal to eliminate the forecast use rule.[236]

123. USTA argues that LECs should be allowed to allocate costs of common central office and outside plant investment on the basis of actual usage.[237] USTA states that actual usage cost allocations increase accuracy and avoid costly burdens.[238] USTA also argues that forecasting nonregulated usage of shared central office and outside plant is obsolete with the introduction of interconnection agreements.[239] The states and other commenters argue that USTA's proposal to eliminate the forecast use rule for allocating joint investments between the carrier's regulated operations and nonregulated "start up" operations would result in the over-allocation of nonregulated costs to the LECs' regulated activities.[240] GSA agrees and further states that unless a forward-looking allocation procedure is maintained, plant additions to provide nonregulated services will be consistently allocated incorrectly.[241]

124. We decline to adopt USTA's proposal to eliminate the forecast use rule for allocating joint investments between the carrier's regulated and nonregulated operations. We conclude that the forecast use rule remains a valuable tool in allocating the costs of shared

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[234] *See, e.g.*, Florida Comments at 7; NARUC Comments at 6; Idaho Comments at 5; California Reply Comments at 2-3; ALTS Reply Comments at 12; AT&T Reply Comments at 11.

[235] 47 C.F.R. § 64.901(b)(4).

[236] *Notice* at ¶ 45. USTA contends that this rule is burdensome, but has not quantified the burden.

[237] USTA Comments at 21.

[238] *Id.* at 22.

[239] USTA Sept. 28, 2001 ex parte at 8.

[240] *See, e.g.*, Florida Comments at 8; Utah Comments at 3-4; Maryland Comments at 5; North Carolina Public Staff Comments at 4; NARUC Comments at 7; Ohio CC and NASUCA Joint Comments at 7; Idaho Comments at 5; GSA Comments at 9 & Reply Comments at 14; NASUCA Oct. 4, 2001 *ex parte* at 2.

[241] GSA Comments at 9.

facilities fairly. Because investment in central office equipment and outside plant is made in anticipation of future usage, the allocation of such investment between regulated and nonregulated activities should be based on that anticipated usage.[242] If allocation were based on current usage instead, an underallocation of central office equipment and outside plant to nonregulated activities could result whenever the usage associated with those activities increases over a period of several years.[243] Moreover, to the extent there is an overallocation of costs to the regulated books, that overallocation will flow through to the states through separations. As a consequence, ratepayers would be bearing a portion of the costs of deploying networks used to provide nonregulated activities in the future. We therefore find that the three-year peak forecast method is a reasonable approach to allocating joint and common costs. As a result, we will continue to require that carriers allocate these costs based on forecasted usage.

125. Based on the record before us, it does not appear that it will be unduly burdensome to maintain the existing forecast rule. The current rules do not require a forecast of usage for all facilities; rather, only investment in facilities that are shared between regulated and nonregulated uses are subject to the forecast rule. The vast majority of central office and cable investment already is directly assigned (and therefore not subject to the forecast rule).[244] Moreover, other rule changes that we adopt today may affect what investment is subject to the forecast rule. As set forth above,[245] we are amending our cost allocation rules to provide that, to the extent a carrier provides a non-tariffed service to its nonregulated operations, that service will be recorded to nonregulated operations at the price set for that service or facility as set forth in an interconnection agreement approved by a state commission pursuant to section 252(e). As a result of this modification to our cost allocation rules, carriers may be able to directly assign costs to nonregulated activities in more instances, so that fewer costs will remain in the pool of common costs that must be allocated based on a three-year forecast of anticipated usage.

4. Classification of Companies

126. As we have discussed above, rule 32.11 divides companies into Class A and Class B for accounting purposes. This rule does not state that our accounting rules apply only to incumbent LECs. Rather, the rule merely speaks in terms of "companies." Currently, we apply these requirements to incumbent LECs only, because they are the dominant carriers in their markets.[246] In the *Notice*, the Commission sought comment on whether section 32.11 should be amended so that its requirements explicitly pertain only to incumbent LECs, as defined in section

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[242] *See* NARUC Aug. 17, 2001 *ex parte* at 9.

[243] For example, if an incumbent LEC deploys fiber and coaxial cable transmission facilities and equipment; signal generation, reception, and control equipment; broadband switching equipment; and operations support systems in anticipation of providing cable service in the future, but allocates costs based only on current usage, the costs of that equipment will be disproportionately allocated to the regulated local exchange service, rather than the nonregulated activity. *See* NARUC Sept. 6, 2001 *ex parte* at Appendix, p.6.

[244] Verizon and Qwest report direct assignment of central office and outside plant of 97 percent and 95 percent, respectively; therefore, only 3 percent and 5 percent of their investment is subject to the forecast rule. USTA March 29, 2001 *ex parte*. Our ARMIS data show that both Verizon and Qwest reported direct assignment of central office and outside plant of 95 percent for year 2000.

[245] *See* section III.C.1.(c).

[246] In Implementation of the Telecommunications Act of 1996, CC Docket No. 96-193, *Report and Order*, 12 FCC Rcd 8071, 8095, ¶ 53 (1997), we specifically excluded non-incumbent LECs from CAM and ARMIS filing requirements.

251(h) of the Communications Act, and any other companies that the Commission designates by order.[247] None of the commenters opposed the proposal to revise section 32.11 to apply to incumbent LECs.[248]

127. We adopt the proposal in the *Notice* to revise section 32.11 of the Commission's rules to specifically apply to incumbent LECs and any other companies that the Commission designates by order. Section 32.11 was adopted at a time when there were no competitive local exchange carriers; the language in the rule presumably was intended to refer to the carriers that existed at the time, which were the incumbent LECs. Now that new carriers have entered the local exchange market, we will conform our rules to today's marketplace and replace the term "companies" with "incumbent LEC."

D. ARMIS Reporting Requirements

1. Background

128. ARMIS is an automated reporting system developed by the Commission to collect financial, operating, service quality, and network infrastructure information that carriers are required to collect under Commission rules. As previously noted, ARMIS reports 43-01, 43-02, 43-03, and 43-04 contain financial information of carriers with annual operating revenues that are equal to or above the indexed revenue threshold, currently $117 million.[249] In particular, ARMIS 43-01 summarizes the carriers' accounting and cost allocation data prescribed in Parts 32, 36, 64, 65, and 69 of the Commission's rules, ARMIS 43-02 collects basic accounting information, ARMIS 43-03 collects information on how costs are allocated between regulated and nonregulated activities, and ARMIS 43-04 collects information on how costs are separated between the federal and state jurisdictions. Supporting data for the ARMIS 43-03 Report currently are collected in two reports: Form 495A (Forecast of Investment Usage Report) and Form 495B (Actual Usage of Investment Report). The remaining four ARMIS reports contain non-financial information. Of the four, two are at issue in this proceeding: ARMIS Report 43-07 (Infrastructure Report) and ARMIS Report 43-08 (Operating Data Report), which collect information about the physical and operating characteristics of the incumbent local exchange carriers.[250]

129. ARMIS provides policymakers with one mechanism for monitoring activities associated with the provision of telecommunications services and the development of the

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[247] *Notice* at ¶ 44.

[248] *See, e.g.*, ALTS Reply Comments at 5; XO Communications Reply Comments at 16-17 (arguing that CLECs enter the local exchange and exchange access markets in competition with other providers and without control of bottleneck facilities).

[249] The 30 large incumbent LECs that file financial reports are Verizon (19 operating companies), SBC (9 operating companies), BellSouth (1 operating company), and Qwest (1 operating company).

[250] The ARMIS Report 43-07 is required for the 30 mandatory price cap incumbent LECs: SBC (9 operating companies), Verizon (19 operating companies), Qwest (1 operating company), and BellSouth (1 operating company). The ARMIS Report 43-08 is required by the same 52 incumbent LECs that file the financial reports: SBC (9 operating companies), Verizon (19 operating companies), Qwest (1 operating company), BellSouth (1 operating company), Cincinnati Bell (1 operating company), C-TEC (1 operating company), Sprint (13 operating companies), ALLTEL (5 operating companies), and Citizens Communications (2 operating companies). Roseville and CenturyTel have also passed the indexed revenue threshold and would be required to file ARMIS 43-08 this year, under the current rules.

telecommunications infrastructure. Moreover, it allows regulators to perform these functions without having to rely on ad hoc information requests. Government agencies, interexchange carriers, CLECs, state regulators,[251] and other parties currently rely on ARMIS data.[252]

130. In the *Phase 1 Report and Order*, the Commission reduced the reporting requirements of the ARMIS 43-02 USOA Report.[253] Specifically, the Commission revised Table C-3 of ARMIS 43-02 Report to include carrier's operating states; eliminated Tables C-1, C-2, and C-4 from the ARMIS 43-02 Report; eliminated nine of twelve reporting items from Table C-5 of ARMIS 43-02 Report and established new threshold levels for two reporting items; eliminated seven of fifteen reporting items from the Table B Series of ARMIS 43-02; and eliminated three of seven reporting items from the Table I Series of ARMIS 43-02, established new threshold reporting levels for items reported in Tables I-6 and I-7, and eliminated the Academia reporting requirements.

131. In the *Notice*, the Commission sought comment on eliminating several tables and line items from certain ARMIS Reports.[254] The Commission also sought comment on USTA's proposal to eliminate most of ARMIS reporting.[255] In particular, USTA proposed to combine the ARMIS 43-01, 43-02, 43-03, and 43-04 into one report, and have carriers report only at the aggregated operating company level.

132. USTA contends that consolidating the ARMIS reports would substantially reduce the volume and complexity of the current ARMIS financial reports and significantly minimize the reporting burden.[256] BellSouth supports USTA's proposal and contends that the Commission can monitor accounting costs through the revised report proposed by USTA, and that the Commission should eliminate ARMIS 43-07 and 43-08 because monitoring the network infrastructure is no longer needed in today's competitive environment.[257] According to BellSouth, if incumbent LECs do not provide the services demanded by their customers, those customers will "vote with their

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[251] For a list of state proceedings in which ARMIS data were used from January 1997 to July 1998, *see ARMIS Reductions Report and Order*, 14 FCC Rcd at 11456-457, ¶ 24 & n. 56.

[252] *See, e.g.,* Florida Comments at 11 (stating that "the only publicly available source of accounting data and information is that reported in ARMIS"); Idaho Comments at 7; Maryland Comments at 6; NARUC Comments at 4, 9 & Reply Comments at 7; North Carolina Public Staff Comments at 5; Oregon Comments at 6; Utah Comments at 4; Wisconsin Comments at 16; Wyoming Comments at 3-4; ALTS Reply Comments at 10; AT&T Comments at 4, 8 & Reply Comments at 13; GSA Comments at 10 & Reply Comments at 16; RUS Comments at 2; WorldCom Comments at 8 & Reply Comments at 7-8; Alaska Reply Comments at 4; California Reply Comments at 3; NCTA Reply Comments at 5-7; Ohio CC and NASUCA Reply Comments at 9.

[253] *Phase 1 Report and Order* at ¶¶ 32-57.

[254] ARMIS Reports 43-05 and 43-06 are under examination in a separate proceeding. *See* 2000 Biennial Regulatory Review – Telecommunications Service Quality Reporting Requirements, CC Docket No. 00-229, *Notice of Proposed Rulemaking*, 15 FCC Rcd 22113 (2000). Through ARMIS Report 43-05, the Commission, state commissions, and the public monitor trends in the quality of service provided by price cap LECs. The ARMIS Report 43-06 contains the results of customer satisfaction surveys conducted by the price cap LECs.

[255] *See Notice* at Appendix 6.

[256] USTA Comments at 23.

[257] BellSouth Comments at 6.

feet" and obtain services from a competitor.[258] Verizon also argues that the Commission should adopt USTA's proposal and contends that ARMIS is an overly burdensome relic of regulation that is contrary to the de-regulatory goals of the 1996 Act.[259]

133. The states and other commenters oppose USTA's proposal, contending that the ARMIS reports are important to understand the incumbent LECs' local exchange and exchange access operations, both financially and technically.[260] Commenters observe that ARMIS data are collected in a uniform and standard format so that all states and the public have efficient and reliable access to data they use currently to establish UNE prices, interconnection rates, and universal service support.[261]

134. Although we recognize that there could be alternative federal or state mechanisms that would adequately address the most important of the Commission's regulatory activities, no such mechanisms are presently in place. In the absence of alternative federal or state mechanism(s),[262] USTA's proposal to eliminate state-by-state ARMIS information would destroy the utility of ARMIS to states that wish to compare cost information of the incumbent LEC in their state to that incumbent LEC's costs in other states.[263] For these reasons, we do not adopt USTA's proposal at this time. We do, however, streamline several ARMIS reports, as described below. We direct the Common Carrier Bureau to implement programming changes to effectuate the modifications adopted below.

2. ARMIS Report 43-01 (Annual Summary Report)

135. The ARMIS 43-01 Annual Summary Report summarizes the carriers' accounting and cost allocation data prescribed in Parts 32, 36, 64, 65, and 69 of the Commission's rules.[264] It consists of Table I, a highly aggregated and comprehensive view of the carriers' financial and cost allocation data and Table II, a summary of demand in minutes of use and billable access

[258] *Id.*

[259] Verizon Comments at 11.

[260] *See, e.g.*, Florida Comments at 10-11; Idaho Comments at 7; Maryland Comments at 5-6; ALTS Reply Comments at 4; AT&T Reply Comments at 12-13; California Reply Comments at 3-4 ; AT&T Aug. 29, 2001 *ex parte* at 2; NARUC Sept. 6, 2001 *ex parte* at App. A, p.7; North Carolina Sept. 4, 2001 *ex parte* at 4; Utah Aug. 31, 2001 *ex parte* at Appendix, p.3; Maryland Sept. 7, 2001 *ex parte* at Appendix; Michigan Oct. 3, 2001 *ex parte* at 1-2.

[261] *See, e.g.*, Florida Comments at 11; Idaho Comments at 7; Maryland Comments at 6; Alaska Reply Comments at 4; California Reply Comments at 3-4; Ohio CC and NASUCA Reply Comments at 9; NASUCA Oct. 4, 2001 *ex parte* at 2. NASUCA observes that the overwhelming majority of all UNE inputs begin with Class A accounts which are then forecasted into a future time period that is used to determine forward looking costs. *Id.* Michigan observes that ARMIS data were used to defend its decisions on a claim that the Michigan Telecommunications Act is confiscatory before the US District Court for the Eastern District of Michigan in Civil Action No. 00-73207. Michigan Oct. 3, 2001 *ex parte* at 2.

[262] *See* Further Notice of Proposed Rulemaking.

[263] *See, e.g.*, Florida Comments at 11; Idaho Comments at 7; NARUC Comments at 11; Maryland Comments at 6; North Carolina Public Staff Comments at 5; Utah Comments at 4; WorldCom Reply Comments at 6; NARUC Sept. 6, 2001 *ex parte* at App. A, p.7; North Carolina Sept. 4, 2001 *ex parte* at 4; New Mexico Aug. 30, 2001 *ex parte* at Appendix, p.2; Utah Aug. 31, 2001 *ex parte* at Appendix, p.3; Michigan Oct. 3, 2001 *ex parte* at 2.

[264] 47 C.F.R. Parts 32, 36, 64, 65, and 69.

lines. All incumbent LECs with annual operating revenues for the preceding year equal to or above the indexed revenue threshold file the 43-01 Report[265] on a study area basis.[266]

136. Table I summarizes the carrier's costs and revenues as reported in the Part 32 accounts (43-02 USOA Report), and shows the allocation of costs between regulated and nonregulated activities (43-03 Joint Cost Report), the separation of regulated costs between state and interstate jurisdictions, and the interstate costs used to support access elements (43-04 Separations and Access Report). In the *Notice*, the Commission proposed eliminating the requirement to file Table I for all carriers filing at the Class A level. The Commission proposed to generate this table from information provided in other financial ARMIS reports and to post the report electronically with the carrier's annual ARMIS filing.

137. The Commission also proposed eliminating the requirement to file Table II. The Commission proposed to eliminate the reporting of all Common Line Demand Minutes of Use (*i.e.*, premium and non-premium) and retain the sections for Switched Traffic Sensitive Demand Minutes of Use and Common Line Demand Billable Access Lines, which would be added to the ARMIS 43-04 in conjunction with row 9010 (Total Billable Access Lines).

138. In the next section of this Report and Order, we adopt streamlined ARMIS reporting for mid-sized incumbent LECs, and no longer require them to file ARMIS 43-02, 43-03, and 43-04 Reports. If we were to eliminate Tables I and II from ARMIS 43-01, we would no longer have certain information from mid-sized carriers that we currently need for various regulatory purposes. Because we cannot generate the information for mid-sized incumbent LECs in any other manner, we do not adopt our proposal to eliminate filing Tables I and II.[267] Therefore, ARMIS 43-01 will continue to include Tables I and II. With respect to Table II, we adopt our proposal to eliminate the Common Line Minutes of Use (rows 2010, 2020, 2030, and 2040). The remaining eight rows (2050, 2060, 2090, 2100, 2110, 2120, 2140, and 2150) will remain in Table II. Rows 2100, Residence Lifeline Access Lines and 2110, Residence Non-Lifeline Access Lines are needed by the Commission to track support amounts USAC pays to qualifying companies. In addition, all of these eight rows are needed by the Commission to verify data received in tariff filings by the CALLS companies.

3. ARMIS Report 43-02 (USOA Report)

139. The ARMIS 43-02 Report provides the annual operating results of the carriers' telecommunications operations for every account in Part 32. All incumbent LECs with annual operating revenues for the preceding year equal to or above the indexed revenue threshold file the 43-02 Report on an operating company basis. The 43-02 Report collects information about the carrier's ownership (Table C Series), balance sheet (Table B Series), and income statement accounts (Table I Series). Information collected in Tables B and I provides data about the carrier's financial accounts, including overall investment and expense levels, affiliate

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[265] Mid-sized incumbent LECs currently may file ARMIS reports at the Class B level, starting with the 1999 reporting year. *See ARMIS Reductions Report and Order*, 14 FCC Rcd at 11449, ¶ 11.

[266] A study area is a geographic segment of an incumbent LEC's telephone operations. Generally, a study area corresponds to the LEC's service territory within a state.

[267] USTA and Verizon contend that the proposal to generate Table I and eliminate Table II is hardly worth the effort and would provide no administrative relief. *See* USTA Comments at 23; Verizon Comments at 11.

transactions, property valuations, and depreciation rates. In the *Phase 1 Report and Order*, the Commission significantly reduced the reporting requirements for Tables C, B, and I.

140. In the *Notice*, the Commission proposed to eliminate the filing of ARMIS 43-02, Table I-1 (Income Statement Accounts) for all carriers filing at the Class A level. Table I-1 collects data on the carrier's revenues, expenses, and net income for the reporting period. The Commission proposed to generate this table from information provided in the other financial ARMIS reports. In order to implement the proposal to eliminate the requirement to file ARMIS 43-02, Table I-1 for the largest incumbent LECs, the Commission proposed to include in ARMIS 43-03: the collection of data for Account 1402 (Investment in Non-Affiliate Companies) and the account series (7410 through 7450) for Account 7400 (Non-operating Taxes).[268] In addition, the Commission proposed the addition of 4 rows for collecting information on the number of employees (rows 830, 840, 850, and 860).[269] These data are currently required in ARMIS 43-02, Table I-1, but not in any other ARMIS report. The Commission anticipated that this proposal would provide relief to carriers from reporting information that can otherwise be derived from other ARMIS reports. USTA and Verizon, however, contend that adopting the proposal would be unnecessarily complicated and not provide any administrative relief.[270] Because it would be administratively difficult for us to effectuate this proposal at this time, we do not adopt the proposal in the *Notice* to have the Commission generate Table I-1 of the ARMIS 43-02 Report.

141. In the *Notice*, the Commission also proposed to add rows to ARMIS 43-02 to allow for the reporting of metallic and non-metallic cable investment and expense information.[271] Carriers already maintain this information in subsidiary record categories for each of the cable investment and expense accounts. The subsidiary record categories are not reported to the Commission, but the data are used for various purposes, such as inputs to the Commission's universal service high cost model for non-rural carriers as well as other forward-looking cost studies.[272] Given our desire to explore whether there are alternative sources for this information other than annual ARMIS filings,[273] we do not think it makes sense at this time to add these rows to ARMIS. For these reasons, we do not adopt the proposal in the *Notice* and add rows to ARMIS Report 43-02, tables for the reporting of metallic and non-metallic cable investment and expense.

4. ARMIS Report 43-03 (Joint Cost Report)

142. The ARMIS 43-03 Report contains the allocation of the carriers' revenues, expenses, and investments between regulated and nonregulated activities. All incumbent LECs with annual operating revenues for the preceding year equal to or above the indexed revenue threshold file the 43-03 Report on a study area basis. In the *Notice*, the Commission proposed to reduce the number of columns currently reported on the 43-03 Report by eliminating the distinction between "SNFA and Intra-co. Adjustments" and "Other Adjustments" and combining

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[268] *Notice* at ¶ 60.

[269] *Id.*

[270] USTA Comments at 24; Verizon Comments at 11. WorldCom does not support the elimination of Table I-1. WorldCom Comments at 5-6.

[271] Several commenters support this proposal. *See, e.g.*, WorldCom Comments at 6 & Reply Comments at 7; GSA Comments at 11 & Reply Comments at note 53; AT&T Reply Comments at 14.

[272] This information has been provided to the Commission pursuant to ad hoc data requests.

[273] *See* Further Notice of Proposed Rulemaking at paragraph 208.

these columns into one column entitled "Adjustments."[274] USTA and Verizon agree with this proposal.[275] Verizon observes that approximately 0.2 percent of all adjustments appeared in the "SNFA and Intra-co. Adjustments" column.[276] We find that there does not appear to be a significant regulatory need to retain the "SNFA and Intra-co. Adjustments" column. We therefore are adopting the proposal to combine the two columns into one for the 43-03 Report. We also make a conforming change to the 43-01 Report.

5. ARMIS Report 43-04 (Separations and Access Report)

143. We revise the ARMIS 43-04 (Separations and Access) Report[277] to reduce the data required to be reported during the interim freeze of certain jurisdictional cost categories and allocation factors prescribed in Part 36[278] of the Commission's rules.[279] Carriers will file this revised ARMIS 43-04 Report on April 1, 2002, and on an annual basis thereafter for the duration of the freeze.

144. Part 36 of the Commission's rules provides procedures for incumbent LECs to separate their regulated costs between the intrastate and interstate jurisdictions. In 1997, the Commission initiated a comprehensive reform of the jurisdictional separations procedures to ensure that they met the objectives of the 1996 Act, and to consider reforms needed due to changes in the law, technology, and the market structure of the telecommunications industry.[280] In May 2001, the Commission adopted the recommendation of the Federal-State Joint Board to impose an interim freeze of certain jurisdictional cost categories and allocation factors for price cap carriers and the allocation factors only for rate-of-return carriers.[281] The freeze will be in effect for five years (from July 1, 2001 to June 30, 2006) or until the Commission has completed comprehensive reform of the rules for jurisdictional separations, whichever comes first.

145. In the *Separations Freeze Order*, the Commission concluded that incumbent LECs should report results of jurisdictional separations in a streamlined ARMIS 43-04 Report.[282] Pursuant to instructions of the Commission, the Common Carrier Bureau released a Public Notice on June 22, 2001, seeking comment on a proposed streamlined ARMIS 43-04 Report.[283]

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[274] *Notice* at ¶ 59.

[275] USTA Comments at 24; Verizon Comments at 12.

[276] Verizon Comments at 12.

[277] FCC Report 43-04 Table I-Separations and Access Table is attached as Appendix G.

[278] 47 C.F.R. Part 36.

[279] On May 22, 2001, the Commission adopted the recommendation of the Federal-State Joint Board to impose an interim freeze. *See* Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, CC Docket No. 80-286, *Report and Order*, FCC 01-162 (rel. May 22, 2001) (*Separations Freeze Order*).

[280] *See* Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, CC Docket No. 80-286, *Notice of Proposed Rulemaking*, 12 FCC Rcd 22120 (1997).

[281] *See Separations Freeze Order* at ¶ 2.

[282] *Id.* at ¶¶ 45-46.

[283] *See* "Common Carrier Bureau Seeks Comment on Proposed Streamlined ARMIS 43-04 (Jurisdictional Separations) Report," CC Docket No. 80-286, *Public Notice*, DA 01-1496 (rel. June 22, 2001) (*ARMIS 43-04 Public Notice*). We received five comments and four reply comments. ALLTEL

146. Generally, commenters were supportive of the proposed streamlined report. They did, however, raise several specific issues discussed below.

147. Currently, the report contains cost and revenue data as well as allocation factors. The report is organized so that the cost and revenue data are followed by the corresponding allocation factors. The proposed, simplified report eliminates many of the allocation factor rows, thereby making it less clear which factors apply to which costs and revenues. SBC suggests placing the cost and revenue data in one table and the allocation factors in a second table. SBC and GSA argue that this would improve the report by making it clearer which allocation factors apply to which cost and revenue data.[284] We agree with the parties that the proposed, simplified report would be improved if the links between the cost, revenues, and allocation factors were clearer. We find, however, that SBC's suggestion would lead to a lengthier report, since many of the cost and revenue rows are also allocation factors and would therefore have to appear in both tables. We find that the links can be improved without lengthening the report by continuing the use of only one table, and revising the ARMIS software so that, when an ARMIS user selects a specific cost or revenue row, the program will show the row number of the corresponding allocation factors. Furthermore, this can be accomplished without requiring the ARMIS filers to segregate their cost, revenue, or allocation factors or by requiring that they submit certain of the data more than once. We therefore direct the Bureau to make the necessary ARMIS program changes.

148. AT&T proposes that we retain the separate identification of traffic sensitive services as local switching and local transport.[285] AT&T contends that access customers will be unable to conduct proper cost analysis of traffic sensitive rates without separate local switching and local transport data.[286] We agree with AT&T that these two categories for traffic sensitive plant and expenses should be retained. One reason for doing so is that this cost detail would be needed under a new approach to intercarrier compensation on which the Commission recently sought comment.[287] Under this compensation proposal, carriers would use a bill and keep arrangement that requires them to recover local switching costs from their own customers. Local transport costs, however, would continue to be recovered partly through intercarrier compensation. Accordingly, this plan calls for access charges to be retained for local transport but not for local switching. The Commission's ability to monitor and evaluate local transport access rates would be greatly hindered if it could not identify and track local transport costs separately from local switching costs.

149. A second reason for retaining these two cost categories is that this cost detail might be needed in any future reform of our access charge rules. We do not anticipate implementing major changes to our access charge rules for price cap carriers for several years because the CALLS plan established interstate access rate levels for the period July 1, 2000

Communications, Inc. (ALLTEL), General Services Administration (GSA), SBC Communications, Inc. (SBC), Sprint Corporation (Sprint), and United States Telecom Association (USTA) filed initial comments. AT&T Corporation (AT&T), GSA, SBC, and USTA filed reply comments.

[284] SBC Comments at 3; GSA Reply Comments at 6.

[285] AT&T Reply Comments at 1-2.

[286] *Id.* at 2.

[287] *See* Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92, *Notice of Proposed Rulemaking*, FCC 01-132 (rel. Apr. 27, 2001) (*Intercarrier Compensation NPRM*).

through June 30, 2005.[288] As the Commission recently stated, however, one of our long-term goals is to develop a uniform regime for all forms of intercarrier compensation, including interstate access. For price cap incumbent LECs, this means that we will need to revisit access charge rules when the CALLS plan expires in four years. For all other incumbent LECs, the Commission has under consideration various issues relating to access reform and universal service.[289] We believe it would be premature to consolidate the local switching and local transport categories before these issues are resolved.

150. We also received comment regarding removing certain rows from the proposed report. SBC suggests removing all the equal access rows and instead requiring that the data be reported in the appropriate accounts.[290] Our separations rules require maintaining the equal access costs separate from the investment and expense accounts.[291] Several incumbent LECs still have costs in these equal access accounts. Removing these rows, as SBC proposes, would require revising our separations rules, which is outside the scope of this proceeding.

151. Sprint proposes that we delete row 1213 "% Interstate Category 3 COE-Allocation." Sprint argues, and we agree, that this row is duplicative of row 1216 "# Dial Equipment Minutes."[292] We adopt Sprint's suggestion, and delete row 1213.

152. USTA and Sprint argue that the data reported in the "OTHER DATA" section of the ARMIS 43-04 Report should be eliminated.[293] They contend that the data in this section are available from other sources or can be calculated from other available data. GSA argues for retention of this section, stating that ARMIS reports are published on a more timely basis than other sources and that ARMIS is supported by a user friendly data base program available through the Internet.[294] We have reviewed the data reported in this section and find that it can be obtained from other sources that will adequately serve our data needs. Accordingly, we eliminate the "OTHER DATA" section of the ARMIS 43-04 report.

153. We also received suggestions to make revisions based on the Part 32 rule changes proposed in the *Notice* in CC Docket No. 00-199.[295] GSA proposes that rows 4010, Network access service revenues-End user; 4011, Network access service revenues-Switched; 4012, Network access service revenues-Special; and 4013, Network access service revenues-State include state and interstate revenues.[296] We agree with the GSA that the elimination of Account 5084, State access revenue, as proposed in the *June 8 Public Notice*, require such a conforming change to ARMIS 43-04 Report. Because Account 5084, State access revenue is consolidated

[288] *See CALLS Report and Order*.

[289] *See* Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, CC Docket No. 00-256, *Notice of Proposed Rulemaking*, FCC 00-448 (rel. Jan. 5, 2001).

[290] SBC Comments at 2.

[291] 47 C.F.R. § 36.421.

[292] *Id.*

[293] USTA Comments at 3; Sprint Comments at 3-4.

[294] GSA Reply Comments at 5.

[295] Following the *Notice*, we sought further comment on Part 32 streamlining in a Public Notice. *See June 8 Public Notice*.

[296] GSA Comments at 3-4.

with Account 5081, End-user revenue; Account 5082, Switched access revenue; and Account 5083, Special access revenue, we will need disaggregated reporting of jurisdictional revenues in ARMIS. We note however, that the changes to Part 32 adopted in the Report and Order in CC Docket 00-199 will not be in effect until the April 1, 2003 ARMIS filing. Therefore, we are not making that change to the ARMIS 43-04 Report in this Report and Order. Additional revisions to the ARMIS 43-04, to reflect the Part 32 rule changes in CC Docket No. 00-199, will be adopted in the annual ARMIS Order for the April 1, 2003 ARMIS filings.

154. We received proposals to change the descriptions of various rows and column "c." Sprint recommends numerous changes to the rows, which we adopt, with some modifications.[297] USTA proposes that column "c" should be labeled "non-interstate" instead of "state" to avoid confusion.[298] We do not adopt this proposal. Jurisdictional separations is the process by which incumbent LECs apportion regulated costs between interstate and intrastate jurisdictions. Therefore, columns "c" and "d" are properly labeled "state" and "interstate." "State" and "intrastate" are interchangeable for these purposes, particularly when we are using abbreviations throughout for labeling rows and columns. We see no point in introducing "non-interstate," a lengthier label, to replace "state" in this instance.

155. We are also deleting rows 1523, 3251, 4065, 4110, 8012, and 8017 because they are redundant. Row 1523 is the same as row 1393; row 3251 is the same as row 2194; rows 4065, 8012, and 8017 are the same as row 2131; and row 4110 is the sum of rows 4066, 4076, 4080, and 4090, less 4100. We are adding row 3021, needed as an allocator for other rows; row 5042, needed to summarize "IOT-Other" expense; and row 5050, needed to report directly assigned "IOT-CPE" expense.

156. Finally, USTA indicates that as part of the process of identifying dial equipment minutes, as required for Part 36 separations and reported in the 43-04 Report, the carriers make special studies to calculate local call volumes that are required to be reported in the 43-08 Operating Data Report. They suggest that "as a result of the adoption of the separations freeze, these special studies will also be frozen," and, therefore, rather than report the same information on future reports, "local call" data should be eliminated from the 43-08 Report. We disagree with this conclusion. The *Separations Freeze Order* applies only to Part 36 category relationships and jurisdictional allocation factors. The Order does not apply to the local call volumes as reported on the 43-08 Report and/or their means of development.

157. We therefore adopt the streamlined ARMIS 43-04 Table I-Separations and Access Table, attached as Appendix G. This revised ARMIS 43-04 will be filed on April 1, 2002, and on an annual basis thereafter, for the duration of the separations freeze.

6. ARMIS 43-07 (Infrastructure Report)

158. The ARMIS 43-07 Report collects data about the carrier's switching and transmission equipment, call set up time, and cost of total plant in service. This report is prescribed for every mandatory price cap carrier.[299] The report is filed on a study area and holding company level. The report captures trends in telephone industry infrastructure development under price cap regulation. Policymakers at the federal and state levels use this information,

[297] Sprint Comments at 6-7. GSA supports Sprint's proposals. GSA Reply Comments at 6.

[298] USTA Comments at 3.

[299] Originally, the BOCs and GTE; now SBC, Verizon, Qwest, and BellSouth.

which is critical data not available through other public sources. The ARMIS 43-07 Report is a data source for a number of Commission publications. For example, on an annual basis, the Commission publishes the *Statistics of Communications Common Carriers* and *Infrastructure of Local Operating Companies*. The Commission also publishes on a biannual basis, *Monitoring Reports on Universal Service*. These reports are generated from publicly available data, including data reported in carriers' annual ARMIS 43-07 submissions.

159. USTA, Verizon, and BellSouth contend that we should eliminate the 43-07 Report because it is obsolete.[300] USTA argues that with increased competition and alternative networks providing telecommunications services, the 43-07 is irrelevant and no longer serves a useful purpose.[301] USTA contends that it would be more cost effective and efficient to use data requests should this information be needed.[302]

160. We agree that some of the current reporting requirements are redundant or outmoded, but we decline to eliminate the ARMIS 43-07 in its entirety at this time. The information collected in ARMIS 43-07 provides the Commission with information about the infrastructure -- capacity, and operating characteristics of the vast majority of the nation's wireline network -- basic infrastructure information on carriers that provide service to 93 percent of the Nation's customers.[303] While there may be no need to collect such data in the long term, there is continued utility in collecting such data through this mechanism in the short term to evaluate the effects of public policy choices on those carriers that play a critical role in our national economy and to calibrate our actions. We recognize that adequate information for regulatory purposes could be generated through state or regional activities or through our *Local Competition and Broadband Data Gathering Program*, and we intend to develop a record on whether this is a preferred approach.[304] Thus, at this time, we will limit our streamlining to those current reporting requirements that are redundant or that have clearly outlived their usefulness.

161. Table I - Switching Equipment. In the *Notice*, the Commission proposed to eliminate the collection of outdated information and to collect information on newer technologies. In Table I (Switching Equipment), the Commission proposed to eliminate all reporting requirements for electromechanical switches (rows 0130-0141).[305] Ohio CC and NASUCA oppose the elimination of information on electromechanical switches, and argue that until there are no electromechanical switches remaining in the public switched network, it remains an

[300] USTA Comments at 25-26; Verizon Comments at 12; BellSouth Comments at 6-7.

[301] USTA Comments at 25.

[302] *Id.*

[303] The State members of the Joint Board on Separations urge the Commission to continue accounting mechanisms that support ARMIS Report 43-04 and to retain ARMIS Reports 43-07 and 43-08 because the information in those reports is necessary to evaluate separations reform measures. Joint Board Reply Comments at 2-3. They note that one option for separations reform would be to assign directly all facilities based upon the location of those facilities in the network; the state members say that it would be difficult to evaluate this alternative without information similar to the infrastructure report and the detailed Part 32 sub-account data. *Id.* at 3.

[304] *See* Further Notice of Proposed Rulemaking. *But see* Michigan observes that information obtained on broadband deployment by the Michigan Economic Development Corporation from the Commission was either insufficient or restricted by non-disclosure agreements. Michigan Oct. 3, 2001 *ex parte* at 2.

[305] *Notice* at ¶ 68.

important element of the network.[306] Other commenters, however, agree with our proposal to eliminate the collection of these data.[307] We note that for the year 2000, the total for all reporting companies of electromechanical switches was zero. We conclude that there is little value in requiring carriers to continue to report that they have no electromechanical switches. Therefore, we adopt the proposal in the *Notice* and eliminate all reporting requirements for electromechanical switches (rows 0130-0141).

162. The Commission also proposed to eliminate reporting requirements for analog stored-program-control (ASPC) and digital stored-program-control (DSPC) switches except for the total number of switches and lines served (retain rows 0150, 0160, 0170 and 0180; eliminate rows 0151-0155, 0161, 0171-0175, and 0181). We find that there is no regulatory need for carriers to report percentages, as the Commission or any interested party can easily calculate them. Therefore, we are eliminating rows 0151, 0153, 0155, 0161, 0171, 0173, 0175, and 0181. For the year 2000, the total reported in row 154 (ASPC Tandems) was two. We find that there is little value in requiring carriers to continue to report such a minimal quantity. Therefore, we are eliminating row 0154. There is also no need to require carriers to report row 0152 (ASPC Local Switches), which is substantially the same as the Total ASPC switches in row 0150; therefore, we are eliminating row 0152. Similarly, because row 0170 is substantially the sum of row 0172 plus row 0174, we are eliminating rows 0172 and 0174. In conclusion, we are adopting the proposal in the *Notice* to eliminate rows 0151-0155, 0161, 0171- 0175, and 0181.

163. Additionally, the Commission proposed to eliminate all reporting requirements related to equal access and touch-tone capabilities (rows 0190-0221).[308] Ohio CC and NASUCA oppose the elimination of information on equal access and touch-tone capabilities. They argue that, until equal access and touch-tone capability are universal, it will be important to know where in the public switched network they are unavailable.[309] We note that for the year 2000 virtually all the reporting carriers' access lines had equal access and touch-tone capability. We conclude that there is little value in continuing to require these carriers to report the data regarding touch-tone capability and equal access.[310] Therefore, we adopt the proposal in the *Notice* and eliminate all such reporting requirements (rows 0190-0221).

164. The Commission also proposed to eliminate reporting of information related to Signaling System 7 (SS7)[311] and integrated services digital network (ISDN)[312] capabilities except

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[306] Ohio CC and NASUCA Joint Comments at 8.

[307] *See, e.g.,* WorldCom Comments at 7; GSA Comments at 11; NARUC Comments at 12; Idaho Comments at 7; Florida Comments at 11.

[308] In our *ARMIS Reductions Report and Order*, we eliminated 55 rows pertaining to equal access from ARMIS Report 43-04, because the nearly complete transition to equal access reduced our need to monitor its deployment. *See ARMIS Reductions Report and Order*, 14 FCC Rcd at 11450-451, ¶¶ 14-15.

[309] Ohio CC and NASUCA Joint Comments at note 11.

[310] BellSouth agrees that reporting information on the availability of touch-tone services is not useful. BellSouth Comments at 6.

[311] SS7 provides a means for networks and interoffice switches to communicate with each other using digital links outside the voice channel.

[312] ISDN technology provides the service protocols and channel designations for digital services to customers and can convey voice, data, or compressed video. Basic rate interface ISDN are provided as two 64-kilobit data channels and one 16-kilobit control channel associated with each basic rate access line.

to retain information concerning total switches, lines, local switches, and tandems equipped with SS7 and ISDN capabilities.[313] Commenters agree that this information is no longer needed for our current regulatory needs.[314] There is no need for carriers to report percentages, as the Commission or any interested party can easily calculate them. Therefore, we are eliminating rows 0231, 0233, 0235, 0237, 0241, 0247, 0251, 0257, 0271, 0281, 0291, and 0301.

165: In addition, we note that most switches equipped with SS7-394 capability are also equipped with SS7-317 capability; therefore, the data reported in the interLATA and intraLATA rows for switches and tandems in this section are almost identical. Having carriers report information in both the row for SS7-394 capability and the row for SS7-317 capability appears to be superfluous. Therefore, we are eliminating rows 0234, 0236, 0246, and 0256. We are renaming row 0230 "Total switches equipped with SS7." We are renaming row 0240 "Local switches equipped with SS7" and row 0250 "Tandems equipped with SS7." We conclude that there is no need to continue reporting the number of lines with SS7 service because that is essentially the same as row 0120. Therefore, we eliminate row 0232.

166. In the *Notice*, the Commission sought comment on whether its monitoring program should include information on new technologies that indicate how carriers are upgrading the public switched network.[315] The Commission sought comment on whether to include information for switches capable of transmitting the asynchronous transfer mode (ATM) protocol in Table I. The Commission also sought comment on including data on switched multi-megabit data service (SMDS), internet routers, and frame relay service[316] in Table I. These services, widely offered to business customers for high-volume usage, are high-speed data telecommunications services built upon packet-switching technology.

167. USTA contends that we should not add this information to the ARMIS 43-07, but that this should be collected from all providers through the *Local Competition and Broadband Data Gathering Program*.[317] USTA's arguments are far from trivial. The Communications Act mandates the creation and promotion of a multi-provider local service environment in which all providers will deploy newer technologies. To the extent the Commission is concerned with monitoring the deployment of such technologies, it may be more appropriate for the Commission to collect the appropriate information comprehensively, and we therefore seek comment on this possibility in the attached Further Notice of Proposed Rulemaking. We also acknowledge that such comprehensive efforts, such as the *Local Competition and Broadband Data Gathering Program* are more likely than ARMIS reporting to balance carefully the regulatory need for the information against the burdens that reporting requirements impose on carriers, particularly newer entrants. To date, we have not yet fully evaluated whether it is more appropriate to track these newer technologies through ARMIS or through the *Local Competition and Broadband Data*

Primary rate interface ISDN provides the capacity of twenty-three 64-kilobit data channels and one 64-kilobit control channel.

[313] *Notice* at ¶ 68.

[314] WorldCom Comments at 7; BellSouth Comments at 6.

[315] *Notice* at ¶ 69. Several commenters supported this proposal. *See, e.g.*, Utah Comments at 4; Ohio CC and NASUCA Joint Comments at 9; North Carolina Public Staff Comments at 5; NARUC Comments at 12; Idaho Comments at 7-8; Florida Comments at 11-12; Maryland Sept. 7, 2001 *ex parte* at Appendix.

[316] Frame relay service is a high-speed packet-switching technology used to communicate digital data between, among other things, geographically dispersed local area networks (LANs).

[317] USTA Comments at 26.

Gathering Program or to address our deployment concerns through other means. Any such examination would have to involve our state commission colleagues and any interested parties. In the meantime, we decline to impose additional ARMIS requirements that would fall disproportionately on one segment of the industry.

168. Table II - Transmission Facilities. Table II collects information about components of the network that are used to carry voice, video, and data traffic. Data reported in Table II provide information about transmission facilities for the study area of the carrier. The information is not disaggregated by Metropolitan Statistical Areas (MSA) and non-MSA, as Table I is. The deployment of new technologies and new services in rural areas has been a matter of particular concern for the Commission and other policymakers, and we are trying to better understand the provision of services in these areas.[318] In the *Notice*, the Commission sought comment on whether to add columns for MSA and non-MSA in Table II. USTA and Verizon argue that it would be extremely burdensome for LECs to report by MSA and non-MSA on Table II.[319] Ohio CC and NASUCA and Wyoming support the proposal to have carriers report by MSA and non-MSA.[320]

169. Transmission facilities are a critical component in the provisioning of new services to rural areas. We cannot compare rural and urban infrastructure development using information as currently reported in ARMIS 43-07. The commenters persuade us, however, that such disaggregation of these data would require incumbent LECs to undertake labor intensive and costly studies. At this time, we are not persuaded that the benefits of having these data in a more disaggregated form would justify the expense involved in such an undertaking.

170. In the first section of Table II, "Sheath Kilometers," carriers report data on transmission facilities within their operating areas. Carriers use either analog or digital technology on copper wire, coaxial cable, fiber, radio, and other media. In the *Notice*, the Commission proposed to change the title "Sheath Kilometers" to "Loop Sheath Kilometers" and to narrow the collection of data to only local loop facilities connecting customers to their serving offices.[321] We conclude that this information would be more useful for policymakers and interested parties if it were narrowed to local loop facilities connecting customers to their service offices. Therefore, we now change the title to "Loop Sheath Kilometers" and limit the collection of data to local loop facilities.

171. In the second section of Table II, "Interoffice Working Facilities," total circuit links are reported for baseband, analog carrier, and digital carrier. In the *Notice*, the Commission sought comment on whether to eliminate the reporting requirements that further distinguish baseband, analog, and digital (rows 0331, 0332, 0333, 0350, 0351, 0352, 0360, 0361, 0362, 0363).[322] AT&T contends that we should not eliminate these data because they are essential for benchmarking and monitoring purposes.[323] It appears, however, that these data are often reported in an inconsistent manner by the carriers, and therefore are not reliable for benchmarking

[318] *See Local Competition and Broadband Data Gathering Program*, 15 FCC Rcd 7717 (2000).

[319] USTA Comments at 26; Verizon Comments at 11.

[320] Ohio CC and NASUCA Joint Comments at 9; Wyoming Comments at 4.

[321] USTA contends the majority of LECs do not have the ability to collect these data solely for loop plant. USTA Comments at 26.

[322] *Notice* at ¶ 72.

[323] AT&T Comments at 8. *See also* Ohio CC and NASUCA Joint Comments at 8.

purposes.[324] We find that there is no significant regulatory need to retain the subcategories in rows 0331 through 0363. Therefore, we eliminate these rows.

172. The Commission also sought comment on including categories for optical carrier facilities and non-optical carrier facilities.[325] Optical carrier facilities, such as synchronous optical networks (SONET) are currently being deployed by the incumbent LECs. Ohio CC and NASUCA support requiring carriers to report this information.[326] After reviewing the record, we are not convinced that our ARMIS reports are appropriate for tracking the deployment of SONET. SONET equipment, *i.e.*, terminal multiplexers and add/drop multiplexers, comprise a major portion of interoffice facilities. It is also present in loop facilities where it supports digital metallic or fiber loops. SONET physical topologies include point-to-point, linear, tree, and ring configurations. Due to SONET's widespread use in diverse configurations, our ARMIS reports may not be adequate to track the deployment of SONET. Therefore, we decline to add categories for these facilities at this time.

173. In the third section of Table II, "Loop Plant-Central Office Terminations," carriers report total working channels and total equipped channels. Under each category, there is a requirement for reporting six subcategories (copper, baseband, analog carrier, digital carrier, fiber digital carrier, and other). In the *Notice*, the Commission sought comment on whether to eliminate the reporting of six subcategories of equipped channels, and retain only the total of equipped channels.[327] GSA argues, and we agree, that these subcategories should not be eliminated at this time because the relationship of working channels to equipped channels is important in the analysis of copper plant utilization. Together with financial information, such analysis is used in determining appropriate forward-looking depreciation lives for present use in developing inputs to our high cost model for our universal service purposes and state use in UNE cost studies.[328] Therefore, we are retaining the subcategories in these rows in ARMIS, pending further exploration of alternative means of gathering such information.

174. In the *Notice*, the Commission proposed to eliminate reporting of fiber strands terminated at the customer premises at the DS-0 rate (row 0481) and fiber strands terminated at the customer premises at the DS-2 rate (row 0483) from the fourth section of Table II, "Other Transmission Facility Data."[329] AT&T argues that these data are essential for benchmarking and monitoring purposes.[330] We agree that as a general matter this information can be helpful; however, virtually no incumbent LEC reports the termination of DS-2 level services at the customer premises, and therefore row 0483 does not provide useful information. We conclude that row 0483 should be eliminated. We also conclude that row 0481 (DS-0 rate) should be eliminated. DS-0 level services are generally bundled into DS-1 size packages, and by capturing the required information at the DS-1 level, we do not need to collect the information at the DS-0

[324] A review of these data suggests that the reporting carriers are not reporting the same things. Therefore, the data are not comparable.

[325] *Notice* at ¶ 72.

[326] Ohio CC and NASUCA Joint Comments at 9.

[327] *Notice* at ¶ 73.

[328] *See, e.g.,* GSA Comments at 12; AT&T Comments at 8.

[329] *Notice* at ¶ 74.

[330] AT&T Comments at 8.

level. Row 0482 (DS-1) will be renamed, because fiber is terminated at customer premises at the DS-3 level or greater, and referring to fiber terminations at the DS-1 level is inaccurate.

175. The Commission also sought comment on adding information on hybrid fiber-copper loop interface locations, number of customers served from these interface locations, xDSL customer terminations associated with hybrid fiber-copper loops, and xDSL customer terminations associated with non-hybrid loops. Such information is not presently collected through any federal reporting program. WorldCom argues that this report should be updated with the reporting of digital loop carrier deployment and other changes in the local loop plant.[331] We find that the addition of these rows to ARMIS would help satisfy an immediate and pressing need to assess the penetration of fiber in the local loop and gauge the development of broadband infrastructure. Hybrid architectures will likely become increasingly important in providing broadband services and are directly relevant to current criticisms by new entrants that the new architectures are systematically diminishing their ability to provide competing DSL service to end-user retail customers. We conclude that there is a present federal regulatory need, at least for the near term, to collect such data to evaluate the effects of our public policy decisions and to consider whether more market-oriented approaches are appropriate. Therefore, we are adding the following rows to ARMIS: "Hybrid Fiber/Metallic Loop Interface Locations,"[332] "Switched Access Lines Served from Interface Locations,"[333] "Total xDSL Terminated at Customer Premises,"[334] and "xDSL Terminated at Customer Premises via Hybrid Fiber/Metallic Interface Locations."[335] As set forth in the attached Further Notice, we seek comment on whether we should collect this information as part of our *Local Competition and Broadband Data Gathering Program*, rather through ARMIS.

176. Table III - ILEC Call Set-up Time. In Table III, information is provided about incumbent LEC call set-up time for calls delivered by the incumbent LEC to interexchange carriers. Incumbent LEC call set-up time measures the time from when the customer completes dialing until the call reaches an interexchange carrier. This information was important when carriers used different signaling systems, but now that SS7 is predominant, there is little

[331] WorldCom Comments at 8. *See also* Maryland Sept. 7, 2001 *ex parte* at Appendix (arguing that we should upgrade ARMIS to collect information on new technologies and upgrades and investments in switching and transmission capacity that are critical components of the carriers' network infrastructure).

[332] "Hybrid Fiber/Metallic Loop Interface Locations" will contain the number of locations other than central office locations where an interface between fiber cable and copper pairs or coaxial cable exists. This will include fiber to the curb locations, fiber to the pedestal locations, and other similar locations with a fiber/metallic interface capable of providing broadband services.

[333] "Switched Access Lines Served from Interface Locations" will contain the number of switched access lines reported in row 0120 that are physically routed through the interface locations reported in "Hybrid Fiber/Metallic Loop Interface Locations."

[334] "Total xDSL Terminated at Customer Premises" will contain the total number of incumbent LEC provided working digital subscriber lines terminated at customers' premises locations. This will include lines provided over metallic loop facilities and lines provided over a combination of fiber and metallic loop facilities. This will also include lines terminating in either incumbent LEC-provided or customer-provided termination equipment. Only those lines that are totally provided by the incumbent LECs are included.

[335] "xDSL Terminated at Customer Premises via Hybrid Fiber/Metallic Interface Locations" will contain the number of customer-premises-terminated working digital subscriber lines that are provided through a hybrid fiber/metallic interface location included in "Hybrid Fiber/Metallic Loop Interface Locations." This will include only those lines that are provided at least partially on fiber facilities.

difference among LECs. In the *Notice*, the Commission proposed to eliminate this table.[336] AT&T argues that these publicly available data are important for interexchange carriers (IXCs) seeking to monitor the performance of LECs in the provision of access services.[337] We are not persuaded, and conclude that this information is no longer significant.[338] Therefore, we eliminate Table III.

177: Table IV - Additions and Book Costs. In Table IV, carriers report data concerning total access lines in service, access line gain, and total gross capital expenditures. This information provides data on carriers' actions to maintain and upgrade the network. The data in this table are at the study-area level. Similar data in the ARMIS 43-02 Report are available at either the operating-company or company-study-area (state) level, but are not directly comparable to these data. In the *Notice*, the Commission sought comment on whether to continue to collect this information.[339] AT&T argues that these data are essential for benchmarking and monitoring purposes.[340] We conclude that we can eliminate the filing of this table because similar data are available in other ARMIS reports or can be generated by reference to other ARMIS reports.

7. ARMIS 43-08 (Operating Data Report)

178. The ARMIS 43-08 Report collects data about the carrier's outside plant, access lines in service by technology and by customer, number of telephone calls, and billed access minutes. All incumbent LECs with annual operating revenues for the preceding year equal to or above the indexed revenue threshold file the 43-08 Report on an operating company basis. USTA, BellSouth, and Verizon argue that we should eliminate Report 43-08 altogether, because it is obsolete.[341] USTA contends that the definitions for the 43-08, Table III are becoming more ambiguous as the public switched network evolves toward a data platform.[342] USTA observes that in a high bandwidth network, the concept of DS0 equivalents is no longer viable.[343] Other commenters contend that the ARMIS 43-08 tables, which collect data on an operating company level by state, provide us with the ability to assess trends in investment in physical plant and to benchmark among carriers.[344] Oregon also states that it periodically uses ARMIS 43-08 to obtain information about access lines in other jurisdictions.[345] After careful consideration of these

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[336] *Notice* at ¶ 75.

[337] AT&T Comments at 8.

[338] WorldCom Comments at 7.

[339] *Notice* at ¶ 76.

[340] AT&T Comments at 8.

[341] USTA Comments at 26; BellSouth Comments at 6 & Reply Comments at 7; Verizon Comments at 12.

[342] USTA Comments at 26.

[343] *Id.*

[344] *See, e.g.*, AT&T Comments at 8; WorldCom Reply Comments at 7-8. NCTA observes that columns in Table I.A for Equivalent number of poles (v), Conduit system trench Km (w), and Conduit system duct Km (x) are needed for calculation of pole and conduit rental. *See* NCTA Aug. 31, 2001 *ex parte*.

[345] Oregon Comments at 6.

competing views, we conclude that some of the information in ARMIS 43-08 is of little value and thus we eliminate certain categories of this report as follows.

179. Table I.A – Outside Plant Statistics – Cable and Wire Facilities. In the *Notice*, the Commission sought comment on whether to eliminate the reporting requirements in Table 1.A (Outside Plant Statistics – Cable and Wire Facilities), that distinguish among aerial, underground, buried, submarine, deep sea, and intrabuilding cable plant (columns d – o). After reviewing the record, we conclude that columns d through i, n, and o are useful and should not be eliminated. As WorldCom and GSA observe, this information concerning network maintenance and upgrading is utilized to develop inputs to the high cost model for universal service purposes and to develop inputs to models used to determine forward-looking economic costs in state UNE ratemaking proceedings.[346] Pending further exploration of alternative means of gathering such information, we believe we should retain this reporting requirement in ARMIS to meet ongoing federal and state regulatory needs.[347] Columns j, k, l, and m, however, can be eliminated because little, if any, data are reported for these categories. Therefore, we are only eliminating columns j, k, l, and m.

180. Table I.B - Outside Plant Statistics – Other. In the *Notice*, the Commission proposed to eliminate the reporting of information on satellite channels and video circuits for carriers' radio relay and microwave systems (columns be, bj, bm). Due to changes in technology, data collected in these areas no longer are relevant to our policy analysis on various issues. Therefore, we are eliminating these three columns.

181. Table II - Switched Access Lines in Service by Technology. In the *Notice*, the Commission proposed to eliminate the distinction between analog and digital lines, and require carriers to report the total of main access lines, PBX and Centrex units, and Centrex extensions (retain columns cc, cd, and ce on a total basis; and eliminate columns cf, cg, and ch).[348] WorldCom contends that we should not eliminate this information because it is required to estimate forward-looking costs in the Commission's synthesis model and in other forward-looking cost models.[349] After reviewing the record, we conclude that this information would be more useful if provided on a total basis, instead of disaggregated by analog and digital. Due to changes in technology, data collected in some of these areas are trivial and no longer provide relevant information. Therefore, we are adopting the proposal in the *Notice*, and eliminating the distinction between analog and digital by eliminating columns cf, cg, and ch.

182. Table III - Access Lines in Service by Customer. In the *Notice*, the Commission proposed to narrow the information collection to total number of Business Access Lines (Single-Line and Multi-Line) and Residential Access Lines (Lifeline/Non-Lifeline and Primary/Non-Primary).[350] For example, the synthesis model uses data concerning single-line business, multi-line business, payphone, residential, and special (special access) in determining wire center costs, for universal service purposes.[351] The Commission also sought comment on whether Special Access Lines (Analog and Digital) (columns dk and dl) provide accurate information about the

[346] WorldCom Comments at 8; GSA Comments at 12.

[347] *See* Further Notice of Proposed Rulemaking at paragraphs 208-211.

[348] *Notice* at ¶ 77.

[349] WorldCom Comments at 8.

[350] *Notice* at ¶ 79.

[351] *Id.*

carriers' provision of special access lines and whether there is a need for clarification of this reporting requirement.

183. After reviewing the record, we conclude that extensive structural changes to Table III are warranted. We eliminate the column for Mobile Access Lines, because little, if any, data are reported for this category. The revised table will also contain new columns matching the revised data requirements, discussed above. Columns "Single Line Business Access Lines" and "Multiline Business Access Lines" will be under the "Business Switched Access Lines" heading. Columns "Lifeline Access Lines," "Non-Lifeline Primary Access Lines," and "Non-Lifeline Non-Primary Access Lines" will be under the "Residential Switched Access Lines" heading. A column "Local Private Lines" is added. Finally, we conclude that the instructions and definitions for columns dk and dl are sufficiently clear and that there is no need to revise or clarify them.

E. Relief for Mid-Sized Carriers

184. As previously noted, the Commission uses an indexed revenue threshold to determine which carriers are classified as Class A and which carriers are classified as Class B. Class A companies are defined as companies having annual revenues from regulated telecommunications operations that are equal to or above the indexed revenue threshold.[352] That revenue threshold is currently $117 million.[353] Class A carriers are required to keep their accounts at a greater level of detail, file CAMs with the Commission, have those CAMs audited by an independent auditor, and file ARMIS reports.[354] Class B carriers, in contrast, may keep their accounts at a more aggregated level of detail, are not required to file CAMs, are not required to have their CAMs audited by an independent auditor, and are not subject to ARMIS financial reporting requirements.[355]

185. Today there are over 1300 incumbent LECs in the country. Of those, the Class A carriers are the BOCs (the operating companies of Verizon, SBC, BellSouth, and Qwest) and the operating companies of ALLTEL, Cincinnati Bell, Citizens Communications, Sprint, C-TEC, Roseville, and CenturyTel. The BOCs have 87.6 percent of the incumbent LECs' access lines, while the remaining Class A companies collectively have 6.1 percent of the incumbent LECs' access lines. Thus, all the Class A companies have 93.7 percent of the incumbent LECs' access

[352] 47 C.F.R. § 32.11(a)(1).

[353] *See* "Annual Adjustment of Revenue Threshold," *Public Notice*, DA 01-903 (rel. Apr. 11, 2001) (adjusting annual indexed revenue threshold to $117 million). The classification of a company is determined at the start of the calendar year following the first time its annual operating revenue from regulated operations equals, exceeds, or falls below the indexed revenue threshold. 47 C.F.R. § 32.11(e).

[354] More specifically, a carrier files ARMIS Reports 43-01, 43-02, 43-03, 43-04, and 43-08 when the carrier's annual operating revenues for the preceding year equals to or exceeds the indexed revenue threshold. Similarly, a carrier with annual operating revenues for the preceding year that is equal to or exceeds the indexed revenue threshold must file a CAM and have the CAM audited. These reporting requirements are based on total, not regulated, operating revenues. *See* Implementation of the Telecommunications Act of 1996, CC Docket No. 96-193, *Report and Order*, 12 FCC Rcd 8071, 8102, ¶ 68 (1997).

[355] In the *Joint Cost Order*, the Commission adopted cost allocation standards and affiliate transactions rules for all LECs (with the exception of average schedule companies) but exempted the smaller companies from the requirement to file a cost allocation manual and an annual independent audit. *See Joint Cost Order*, 2 FCC Rcd at 1304, ¶ 47.

lines. The remaining companies are classified as Class B; collectively they have 6.3 percent of the incumbent LECs' access lines.

186. There is a significant variation in the size and scope of the operating companies that currently are classified as Class A.[356] In general, the BOCs are significantly larger than the remaining Class A companies.[357] The operating company of BellSouth had annual revenues reported in ARMIS of over $17.6 billion. The operating company of Qwest had annual revenues reported in ARMIS of over $11.5 billion. The largest SBC operating company, Southwestern Telephone Company, had annual revenues of over $12.4 billion.[358] The largest Verizon operating company, Verizon-New York Telephone, had annual revenues of over $8.1 billion.[359] The revenues of the mid-sized companies range from over $114.9 million for Roseville to over $1.4 billion for Sprint-Florida (an operating company of Sprint).[360] Likewise, in terms of access lines, the BOCs range from over 25.4 million (BellSouth) to 193,992 (Verizon Mid-States), while the access lines of the remaining Class A companies (mid-sized companies) range from over 2.2 million for Sprint-Florida to 124,453 for Roseville.[361]

187. In recognition of the differences between the mid-sized companies and the BOCs, the Commission has differentiated between these carriers in terms of accounting and reporting requirements. For example, in the *ARMIS Reductions Report and Order*, the Commission reduced ARMIS filing requirements for mid-sized carriers, defined as a carrier whose operating revenue equals or exceeds the indexed revenue threshold, and whose revenue when aggregated with the revenues of any LEC that it controls, is controlled by, or with which it is under common control is less than $7 billion.[362] Specifically, the Commission permitted mid-sized carriers to file financial ARMIS reports at a Class B level of detail. Similarly, in the *Accounting Reductions Report and Order*, the Commission allowed mid-sized incumbent LECs to submit CAMs based on Class B accounts and to obtain an attestation every two years in lieu of an annual financial audit.[363] In that proceeding, the Commission concluded that it could maintain the necessary degree of oversight and monitoring to protect consumers' interests while imposing the less administratively burdensome requirements on such carriers.[364]

188. In the *Notice*, the Commission proposed further reductions in accounting and reporting requirements for the mid-sized carriers. The Commission proposed to eliminate mandatory annual CAM filings and biennial CAM attestation engagements for mid-sized

[356] The following Class A revenues are from 2000 ARMIS data.

[357] There are a few exceptions, such as Nevada Bell (an operating company of SBC) and Verizon Mid-States (an operating company of Verizon), which are smaller than many of the mid-sized companies.

[358] All of the SBC operating companies, combined, reported over $38.5 billion in 2000 revenues.

[359] All of the Verizon operating companies, combined, reported over $41.2 billion in 2000 revenues.

[360] All of the Class A Sprint operating companies, combined, reported approximately $5.3 billion in 2000 operating revenues. Sprint also has Class B companies, which combined had approximately $128 million in operating revenues. We also note that Roseville has now passed the indexed revenue threshold and is considered a mid-sized carrier.

[361] All of the Class A Sprint operating companies, combined, reported over 7.8 million access lines. Sprint's Class B operating companies had 356,250 access lines.

[362] *See ARMIS Reductions Report and Order*, 14 FCC Rcd at 11449, ¶ 12.

[363] *See Accounting Reductions Report and Order*, 14 FCC Rcd at 11406 - 07, ¶¶ 21 - 22.

[364] *Id.*

carriers.[365] Under this proposal, the mid-sized carriers would instead file an annual certification with the Commission. As an alternative, the Commission sought comment on reclassifying the mid-sized carriers as Class B carriers.[366] The Commission also sought comment on raising the indexed revenue threshold -- the dividing line between Class A carriers and Class B carriers -- to $200 million.[367]

189. As discussed below, we conclude that we can significantly lighten regulatory burdens for mid-sized carriers by adopting the proposals in the *Notice* to eliminate mandatory CAM filings and attestation audits for mid-sized carriers. We also significantly streamline ARMIS reporting for the mid-size companies. The net effect of the reforms we adopt today, coupled with measures already taken, will be to treat the mid-sized carriers like Class B companies in virtually all respects. We decline to formally reclassify the mid-sized carriers as Class B companies, however, as that action would impact our ability to administer the universal service high-cost support mechanism for non-rural carriers. Finally, we address the status of Roseville and CenturyTel, mid-sized carriers, which crossed the indexed revenue threshold in 1999, and became subject to ARMIS reporting and CAM requirements in 2000.

1. Cost Allocation Manuals

190. We adopt the proposal in the *Notice* to eliminate the annual CAM filing for mid-sized carriers. Under section 64.901 of the Commission's rules, all carriers (except average schedule companies) must separate regulated from nonregulated costs. While mid-sized carriers no longer will be required to annually file a CAM, they, like all other carriers, must be prepared to produce documentation of how they separate regulated from nonregulated costs to the Bureau, upon request. To ensure that the carrier has adequate procedures in place to separate the costs of their nonregulated activities from their regulated operations, in accordance with our rules, carriers are always free to seek guidance from the Common Carrier Bureau.

191. We also adopt the proposal in the *Notice* to eliminate the requirement that CAMs of mid-sized carriers be subject to an attest audit every two years. Instead of requiring mid-sized carriers to incur the expense of a biennial attestation engagement, they will file a certification with the Commission stating that they are complying with section 64.901 of the Commission's rules. The certification must be signed, under oath, by an officer of the incumbent LEC, and filed with the Commission on an annual basis. Such certification of compliance represents a less costly means of enforcing compliance with our cost allocation rules.

192. We emphasize that all incumbent LECs (except average schedule companies) remain subject to our cost allocation rules, which are increasingly important as more carriers diversify into competitive ventures. Indeed, one commenter argues that certain mid-sized carriers may have a larger percentage of operations in non-regulated activities than do some of the largest LECs.[368] The action we take today seeks merely to reduce the costs associated with ensuring compliance with our cost allocation rules. We are aware that some mid-sized carriers have more limited resources than the larger companies, and that the cost of regulatory compliance may disproportionately impact these carriers. These carriers account for a small fraction of the

[365] *Notice* at ¶ 82.

[366] *Id.* at ¶ 80.

[367] *Id.* at ¶ 83.

[368] *See* AT&T Comments at 10.

nation's access lines. These rule changes -- eliminating the annual CAM filing and the biennial attestation engagement -- should significantly reduce the mid-sized carriers' costs in complying with the Commission's cost allocation rules. We note, however, that pursuant to section 220(c), the Commission has the authority to request further information or order an audit of any carrier's books to ensure compliance with our cost allocation requirements.

2. ARMIS Reporting Requirements

193. In the *Notice*, the Commission proposed eliminating the ARMIS 43-02, 43-03, and 43-04 reporting requirements for mid-sized carriers.[369] The Commission also sought comment on the costs and benefits of requiring mid-size carriers to file ARMIS 43-08.[370] In addition, the Commission sought comment on eliminating all ARMIS filing for mid-sized carriers.[371] Commenters opposing the proposal to eliminate these reports for mid-sized carriers contend that this information is needed by state commissions, state consumer advocates, and other parties in reviewing the operations of mid-sized carriers.[372] On the other hand, several commenters urge the Commission to eliminate all ARMIS filings for mid-size carriers.[373] CBT argues that mid-sized carrier data are an insignificant portion of the ARMIS data collected, and the Commission should not require mid-sized carriers to file any ARMIS reports.[374] Roseville and Iowa Telecom contend that preparing and filing ARMIS reports for the first time will require substantial personnel and monetary resources.[375] Sprint, the largest of the mid-sized carriers, contends that its annual, fully loaded cost for preparing ARMIS reports is $250,000.[376]

194. We recognize that some of the mid-sized carriers have financial transactions that are generally smaller and fewer in number than the larger incumbent LECs. We also note that although we have already streamlined the ARMIS reporting requirement for mid-sized carriers, by permitting them to file ARMIS at the more aggregated Class B level, the cost of filing ARMIS reports may be higher for the mid-sized carriers, on a per line basis, than for the larger Class A companies. We are also aware that while mid-sized companies have the same incentives and opportunities for shifting costs between services, our federal regulatory focus has primarily been on the larger LECs that comprise most of the access lines. We therefore conclude that it is appropriate at this time to provide additional reporting relief to mid-sized carriers. In balancing

[369] *Notice* at ¶ 84.

[370] *Id.* at ¶ 85. Commenters did not specifically address this issue.

[371] *Id.* at ¶ 80.

[372] *See, e.g.*, Ohio CC and NASUCA Joint Comments at 11; AT&T Comments at 9-10; WorldCom Comments at 10; Idaho Comments at 7; Oregon Comments at 7; Wisconsin Comments at 22-23; NARUC Reply Comments at 7.

[373] *See, e.g.*, Sprint Comments at 2; CBT Comments at 8-11; ALLTEL Comments at 3 (requesting no CAM or ARMIS requirements for the ALLTEL companies); Roseville Comments at 8-9; ITTA Comments at 8; USTA Comments at 27.

[374] CBT Comments at 10-11.

[375] Roseville Comments at 3-5; Iowa Telecom Comments at 4. Roseville estimates (for its initial ARMIS filing) that it will take 4,690 hours, or $272,000. Roseville Comments at 4-5.

[376] Sprint Comments at 4. Clearly this is not an insignificant sum, however, it is only 0.048 percent of Sprint's annual revenue. Ohio CC and NASUCA Joint Reply Comments at 10.

the carriers' costs and our regulatory needs, we conclude that the mid-sized carriers will no longer be required to file the ARMIS 43-02, 43-03, or 43-04 Reports.[377]

195. We are not persuaded, however, that we should eliminate ARMIS reporting altogether for the mid-sized carriers. Our primary concern is to preserve our ability to obtain information used to compute non-rural carrier universal service high-cost support. We retain at this time the requirement that mid-sized carriers file the ARMIS 43-01and 43-08 Reports. Information in these reports is utilized to develop inputs to the high cost model for universal service purposes and develop inputs to models used to determine forward-looking economic costs in state UNE ratemaking proceedings. For example, the line count input values used in the universal service model include special access lines, which are currently reported in the ARMIS 43-08 Report. Similarly, the switching input values include company-specific telephone call data, which are reported only in the ARMIS 43-08 Report. We intend to initiate a proceeding in the near future to examine how often and to what extent the high cost model inputs should be revised and updated. In that proceeding, we intend to explore alternatives to ARMIS reporting as a means of obtaining the data necessary to generate inputs used in the universal service cost model.

196. We note that in addition to information contained in ARMIS Reports 43-01 and 43-08, the Commission has used other accounting information from mid-sized carriers to develop inputs for the universal service model. While mid-sized carriers no longer are required to report certain information in ARMIS, we expect those companies will maintain sufficient information to be able to produce the data set forth in Appendix E, upon request.

197. In addition, mid-sized incumbent LECs should continue to maintain subsidiary record categories to provide the data currently provided in the Class A accounts, which are necessary to calculate just and reasonable pole, duct, conduit, and right-of-way attachment rates pursuant to section 224 of the Communications Act.[378] These carriers must report this information, necessary for the Commission and interested parties to calculate and verify attachment rates, in ARMIS, so that the information is publicly available and verifiable.

198. We recognize that the states may need certain information from these carriers in order to carry out their regulatory duties and responsibilities.[379] Nothing in this decision is intended to preclude a state from imposing its own reporting requirements to review the operations of the mid-size companies. Moreover, we recognize that the costs and benefits of regulatory compliance may be weighed differently at the state level.

3. Regulatory Classification of Mid-Sized Carriers

199. By our actions today, mid-sized carriers will be treated like Class B carriers in virtually all respects. In light of the regulatory relief granted to all mid-sized carriers, we see no reason to modify the current indexed revenue threshold of $117 million, which is the dividing line between Class A and Class B companies.[380] No party in this proceeding has presented any

[377] As previously noted, ARMIS 43-05 (filed by all price cap LECs) and 43-06 (filed by mandatory price cap LECs) are under examination in a separate proceeding and are not affected by our decision today.

[378] *See Accounting Reductions Report and Order*, 14 FCC Rcd at 11404-05, ¶ 15.

[379] *See, e.g.*, Maryland Comments at 5-6; NARUC Reply Comments at 7.

[380] The threshold between Class A and Class B will continue to be indexed annually in accordance with our current rules.

persuasive justification for why the threshold should be adjusted to $200 million, or some higher figure.[381] We will continue to monitor developments in the marketplace, however, to ensure that our current definitional framework does not inadvertently create unintended consequences.

200. We grant ITTA's request that we index the $7 billion threshold that divides the mid-sized carries and the larger Class A carriers.[382] In 1996, we indexed the threshold between Class A and Class B carriers to implement the directive of the 1996 Act that the Commission adjust our existing revenue requirement to account for inflation in classifying carriers under section 32.11 and in establishing reporting requirements pursuant to Part 43.[383] Subsequently, in 1999, we streamlined our regulatory treatment for the smaller Class A carriers by creating a new classification within Class A for the mid-sized carriers.[384] We now conclude it would be analytically consistent with section 402(c) to henceforth index for inflation the revenue threshold that separates the larger Class A carriers and the mid-sized carriers.

201. We decline to redefine mid-sized carrier based on the two-percent of access lines standard suggested by several commenters.[385] We historically have used revenues as the dividing line between larger and smaller companies, and we see no need at this time to depart from that practice. With the rule changes adopted today, we ensure that the mid-sized carriers will be subjected to lightened regulatory burdens.

4. Waivers for Roseville and CenturyTel

202. Due to the significant changes adopted in this Report and Order to our Chart of Accounts and the reporting requirements for mid-sized carriers, we are waiving, on our own motion, the ARMIS reporting requirements and CAM attestation requirements for Roseville and CenturyTel for the years 2000 and 2001. These two mid-sized companies have yet to file ARMIS reports for 2000.[386] Without a waiver, these companies would be required to prepare ARMIS

[381] *See* Sprint Comments at 5 ($400 million); TDS Comments at 7-8 ($500 million); Roseville Comments at 10 (same); Iowa Telecom Comments at 2-3 ($750 million).

[382] ITTA Comments at 16.

[383] *See* Implementation of the Telecommunications Act of 1996, CC Docket No. 96-193, *Order and Notice of Proposed Rulemaking*, 11 FCC Rcd 11716, 11721-22, ¶¶ 10-12 (1996) (adopting interim rules to comply with the section 402(c) requirement that we adjust the revenue thresholds for inflation and that the adjustments take effect on February 8, 1996). Permanent rules were subsequently adopted in Implementation of the Telecommunications Act of 1996, CC Docket No. 96-193, *Report and Order*, 12 FCC Rcd 8071, 8089-092, ¶¶ 36-44 (1997).

[384] *See Accounting Reductions Report and Order*, 14 FCC Rcd at 11403-04, ¶ 14 .

[385] *See* ALLTEL Comments at 10; Roseville Comments at 4-5; ITTA Comments at 8-16; CBT Comments at 8. We do not agree with ITTA that the use of a two percent standard in section 251(f)(2) of the Communications Act "represents Congress's view of a proper differentiation between large ILECs with substantial resources that require heightened Commission regulation and scrutiny, and small and mid-size ILECs," *see* ITTA Comments at 11, and therefore the Commission should use the two percent standard in defining Class A and Class B carriers for accounting purposes. Section 251(f)(2) of the Communications Act permits carriers with fewer than two percent of the Nation's subscriber lines installed in the aggregate nationwide to petition a state commission for a suspension or modification of interconnection requirements in section 251(b) or (c). 47 U.S.C. § 251(f)(2). This section has no application to the CAM and ARMIS filing threshold. *See* Implementation of the Telecommunications Act of 1996, CC Docket No. 96-193, *Report and Order*, 12 FCC Rcd 8071, 8102-03, ¶ 69 (1997).

[386] These carriers sought, and were granted, extensions of time in which to file ARMIS reports. *See* Roseville Telephone Company Request for an Extension of Time to File ARMIS Reports, ASD File No.

reports for the years 2000 and 2001 based on our old chart of accounts. The ARMIS reports filed on April 1, 2003 (*i.e.*, for year 2002) will be based on the new chart of accounts adopted in this report and order.

203. The Commission may grant a waiver of its rules for good cause shown.[387] Waiver of the Commission's rules is appropriate only if special circumstances warrant a deviation from the general rule and such deviation will serve the public interest.[388] Roseville and CenturyTel are the only Class A companies that have not yet filed an initial ARMIS report. These companies have been granted an extension of time in which to file. We find that this particular situation, where our rules have changed before the parties have complied under old rules, is a special circumstance. Without a waiver, these companies would file ARMIS reports for the years 2000 and 2001 based on our old chart of accounts, and then file ARMIS reports for year 2002 based on our new chart of accounts. We find that in this case, special circumstances warrant a deviation of the general rule and the deviation will serve the public interest. Under these circumstances, it would be an inefficient use of resources to prepare ARMIS reports for the years 2000 and 2001 based on our old chart of accounts. A deviation of our general rule, in order to allow these two companies to file their initial ARMIS reports on April 1, 2003, under the new chart of accounts adopted in this Report and Order, would serve the public interest. The resources the companies would otherwise use in setting up their computer systems under the old chart of accounts can be used instead on service to their customers.

204. Similarly, we are also waiving our requirements for a CAM attestation for these mid-sized incumbent LECs. The attestation cannot take place until the ARMIS reports are prepared. We cannot, therefore, require a CAM attestation until after the ARMIS reports are filed and a CAM attestation will no longer be required of mid-sized companies under our rules adopted in this Report and Order. Therefore, we are waiving the ARMIS reporting requirements for Roseville and CenturyTel, and the CAM attestation requirement, for the years 2000 and 2001.

IV. FURTHER NOTICE OF PROPOSED RULEMAKING

A. Phase III (CC Docket No. 00-199 and 99-301)

205. Concurrent with the adoption of the Phase 2 *Notice*, the Commission also undertook a broader examination of the roadmap for accounting and reporting deregulation.[389] The Commission recognized that as regulatory, technological, and market conditions change in the future, it must consider more fundamental changes to the accounting and reporting requirements. The Commission sought comment on whether there are certain triggers that would allow it to significantly modify or relieve accounting and reporting requirements that currently apply to incumbent local exchange companies. Among other things, the Phase 3 *Notice* sought comment on whether accounting and reporting requirements should be eliminated when carriers become

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00-43, *Order*, 15 FCC Rcd 24093 (Com.Car.Bur. 2000); CenturyTel, Inc. and CenturyTel of Washington, Inc. Request for Extension of Time to Submit Cost Allocation Manual Attestation Reports and File ARMIS Reports, ASD File No. 00-45, *Order*, 16 FCC Rcd 1493 (Com.Car.Bur. 2000).

[387] 47 C.F.R. § 1.3.

[388] *See* United States Telephone Association Petition for Waiver of Part 32 of the Commission's Rules, *Order*, 13 FCC Rcd 214 (Com. Car. Bur. 1997) (*citing Northeast Cellular Tel. Co. v. FCC*, 897 F.2d 1164 (D.C.Cir. 1990) (*Northeast Cellular*); *WAIT Radio v. FCC*, 418 F.2d 1153 (D.C.Cir. 1969), *cert. denied* 409 U.S. 1027 (1972) (*WAIT Radio*).

[389] *See Notice* at ¶¶ 87-98.

non-dominant. The Commission also sought comment on whether certain accounting requirements should sunset when the section 272 separate affiliate requirements sunset for a given carrier in a particular state, and whether achieving pricing flexibility should be a trigger for relaxing accounting and reporting requirements.

206. We remain fully committed to moving forward with Phase 3 of this proceeding. In our view; the question is not whether further deregulation should occur, but rather when. We are skeptical of assertions that these requirements should continue for the indefinite future. As competition continues to develop, the original justifications for our accounting and reporting requirements may no longer be valid. Even apart from the changing nature of the marketplace, there is a substantial question whether some of the rules we retain today impose burdens unnecessarily. And as formerly distinct sectors of the communications industry continue to converge, there is reason to reexamine the justifications for imposing detailed accounting and reporting requirements on only one class of competitors. With these considerations in mind, we now seek to refresh the Phase 3 record in light of the findings made and actions taken today. We look forward to working closely with the states, incumbent carriers, and other interested parties in this endeavor as we continue our examination of these issues.

207. As set forth above in the Phase 2 *Report and Order*, state regulators have articulated current regulatory needs to maintain certain Class A accounts and ARMIS filing requirements for various purposes, including assisting their work in promoting local competition, developing appropriate prices for unbundled network elements, and conducting local ratemaking proceedings. While the Commission also uses some of this information, in administering our current support mechanisms, for example, we identified in the foregoing order a number of accounts and requirements that appear no longer necessary for federal purposes: Account 5040, Private line revenue; Account 5060, Other basic area revenue; Account 1500, Other jurisdictional assets – net; Account 4370, Other jurisdictional liabilities and deferred credits – net; and Account 7910, Income effect of jurisdictional ratemaking differences – net. We believe that, if we cannot identify a federal need for a regulation, we are not justified in maintaining such a requirement at the federal level. At the same time, however, we recognize that an immediate end to such requirements could cause severe problems for state regulators. We would thus like to work with the states to arrange an orderly transition to a mechanism in which states undertake responsibility for collecting this information. We tentatively conclude that we should leave these federal requirements in place for a period of three years to enable states to develop alternative means of gathering this information, after which the federal requirements would terminate. We seek comment on this proposal. Commenters should address whether three years is a sufficient amount of time to transition from federal to state information gathering mechanisms. Commenters should also address whether it would be necessary for each state to set up its own mechanism or whether states might work collectively to set up a mechanism to collect information for multiple states. We understand that some states are required by state law to mirror federal accounting requirements. We ask that those states identify themselves and describe the precise nature of their state statutory constraints. We also seek comment on whether, rather than sunsetting these federal requirements, there are other means to reform federal requirements that serve only state regulatory needs.

208. For our other accounting and reporting requirements, we continue to have a federal need for this information, such as administering our current support mechanisms for universal service and price cap regulation. While we believe that the benefits of continuing these federal requirements, at present, outweigh the potential burdens, our assessment of that calculation is likely to change as technological and market conditions continue to evolve. Although the sufficiency of alternative mechanisms to obtain the requisite information is not

apparent on the record before us, we seek comment on alternatives to our current accounting and reporting requirements. We also encourage our state colleagues to consider alternative sources of such information at the state level. There may well come a time in the relatively near future when we conclude that there is no ongoing federal need to maintain these requirements at the federal level. We seek comment on these tentative views.

209. In addition to addressing the questions previously raised in the Phase 3 *Notice*, we ask commenters to consider whether any of these accounting and reporting requirements should sunset by a date certain, such as three or five years in the future. In particular, should we sunset the remaining Class A accounts by a date certain? Should we maintain our practice of imposing different accounting requirements on classes of carriers based on their size? If so, and we allow Class A carriers to shift to Class B accounting, are there additional accounts that should be eliminated from the Class B system for small and mid-sized carriers by a date certain? Should the requirement to maintain either Class A or Class B accounts be replaced with a rule requiring adherence to generally accepted accounting principles (GAAP)? Should any or all of our ARMIS reporting requirements sunset by a date certain? We encourage commenters to discuss the implications of any accounting reforms they recommend on the appropriate scope of ARMIS reporting obligations. To the extent commenters argue that certain Part 32 or Part 64 rules, or reporting requirements imposed pursuant to 47 U.S.C. § 43.21, should not sunset by a date certain, they should identify with specificity which rules should remain in place and provide a full analysis of the justification for that rule, on a rule-by-rule basis.

210. What would be the advantages and disadvantages of adopting any of these sunset approaches, as opposed to concluding that requirements should be eliminated only upon the attainment of certain indices associated with the development of a competitive marketplace? For example, if we were to eliminate Class A accounts or shift to a policy of relying on GAAP, could we develop accurate inputs for our universal service cost model by relying on specific, ad hoc data requests?[390] Moreover, what impact would elimination by a date certain of accounting and reporting rules have on attainment of statutory goals, such as the preservation and advancement of universal service and ensuring that pole attachment rates are just and reasonable? Could we satisfy other federal regulatory needs by making data requests on an as-needed basis and relying on other existing data collection mechanisms, such as the *Local Competition and Broadband Data Gathering Program*? If we ultimately decide not to sunset certain rules, but instead eliminate those rules only upon attainment of certain indices associated with competition, what costs would be imposed on both regulators and the industry by future administrative proceedings to determine whether those triggers have been met, particularly if proceedings were undertaken on a carrier-by-carrier basis?

211. We also seek comment from state commissions and all other interested parties on whether ARMIS information (particularly infrastructure data) would be better captured through the *Local Competition and Broadband Data Gathering Program* rather than in ARMIS, as discussed above in paragraphs 162, 169, and 177. This program seeks to develop the Commission's understanding of the deployment and availability of broadband services and the development of local telephone service competition in order to comply with section 706 of the

[390] We intend to initiate a proceeding in the near future to examine how often and to what extent the high-cost model inputs should be revised and updated. To the extent that the data necessary to generate inputs used for the universal service high-cost model may be provided through other means than ARMIS, we intend to consider such alternatives in that proceeding. To the extent we conclude in that proceeding that certain inputs should be eliminated or modified, we would consider the need for corresponding revisions to our accounting and reporting requirements.

1996 Act.[391] The *Local Competition and Broadband Data Gathering Program* was established for a five-year period, unless the Commission acts to extend it. We seek comment on the costs and benefits associated with collecting infrastructure information through the *Local Competition and Broadband Data Gathering Program* for all affected parties, including potential filers and federal, state, and local regulators. In particular, we seek comment on whether information currently collected in ARMIS 43-07 should instead be collected through the *Local Competition and Broadband Data Gathering Program*, which imposes a reporting obligation on a larger universe of carriers. In addition, we seek comment on collecting such data through the *Local Competition and Broadband Data Gathering Program*, but requiring only the mandatory price cap companies to report. We also seek comment on whether we should require all filers in the *Local Competition and Broadband Data Gathering Program* to report information on hybrid fiber-copper loop interface locations, number of customers served from these interface locations, xDSL customer terminations associated with hybrid fiber-copper loops, and xDSL customer terminations associated with non-hybrid loops. Lastly, we seek comment on whether to gather information on new technologies that indicate how carriers are upgrading the public switched network, *e.g.*, information for switches capable of transmitting ATM protocol, and data on SMDS, internet routers, and frame relay service, through our *Local Competition and Broadband Data Gathering Program.*

212. In addition, we seek comment on eliminating our rules for continuing property records (CPR), specifically section 32.2000(e) and (f).[392] As discussed in the foregoing order, our CPR rules largely serve the interests of state regulators.[393] States assert that they have an ongoing need for this information in order to support state ratemaking proceedings. We seek comment on whether there are alternative avenues for states to gather whatever information pertaining to property records they need for state regulatory proceedings. Incumbent LECs are subject to a number of other regulatory constraints and appear to have ample incentives to maintain a detailed inventory of their property.[394] Moreover, the record shows that our detailed requirements, which include rigid rules for recording property, impose substantial burdens on incumbent LECs.[395] In light of all these factors, we tentatively conclude that we should eliminate our detailed CPR rules in three years. We seek comment on this proposal. Commenters should address whether there are any federal or state regulatory needs served by our CPR rules that cannot be met through alternative mechanisms. We also seek further comment on the costs and burdens of maintaining these CPR rules. Additionally, commenters should address whether three years is too little or too much time for states that rely upon the existence of federal CPR rules to transition to alternative mechanisms. Commenters should include an analysis of the costs and benefits of maintaining the CPR rules for a different length of time.

213. We also seek comment on alternative approaches to streamline our CPR rules. In particular, in earlier comments in this proceeding, Verizon proposed that we should eliminate

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[391] Various issues pertaining to the *Local Competition and Broadband Data Gathering Program*, such as confidentiality, are raised in a pending proceeding. *See* Local Competition and Broadband Reporting, CC Docket No. 99-301, *Second Notice of Proposed Rulemaking*, FCC 01-19 (rel. Jan. 19, 2001).

[392] 47 C.F.R. §§ 32.2000(e) and (f).

[393] *See* paragraph 121.

[394] For example, the Foreign Corrupt Practices Act requires companies to maintain adequate accounting records and devise and maintain an adequate system of internal accounting controls. *See* Qwest Oct. 3, 2001 *ex parte.*

[395] Verizon Comments at 8.

most of our CPR requirements, but retain the requirement that property records be (1) subject to internal accounting controls; (2) auditable; (3) equal in the aggregate to the total investment reflected in the financial accounts; and (4) maintained for the life of the property.[396] Moreover, Verizon suggested that CPR rules should provide that (1) records be maintained by original cost where appropriate, and otherwise, be maintained using averages or estimates; (2) average costs may be used for plant consisting of a large number of similar units, and units of similar size and type within each specified account may be grouped; and (3) in cases where the actual original cost of property cannot be ascertained, such as pricing for inventory for the initial entry of a continuing property record or the pricing of an acquisition for which the continuing property record has not been maintained, the original cost may be estimated. In cases where estimates are used, any estimate shall be consistent with accounting practices in effect at the time the property was constructed. We seek comment on the advantages and disadvantages associated with this proposal.

214. Finally, we seek to refresh the record on our affiliate transactions rules. We note that these rules were created at a time when all incumbent LECs were subject to rate-of-return regulation.[397] To what extent do these rules remain necessary for price cap carriers? Do price cap carriers that have obtained pricing flexibility, and have thus waived low-end formula adjustments, retain any incentive or ability to engage in improper cost-shifting or cross-subsidization? What impact, if any, would elimination of these rules for price cap carriers have on state ratemaking processes? What impact would there be on carriers if we elect to retain these rules?

215. Even if we eliminate some or all of our current affiliate-transactions rules for price-cap carriers, should we maintain those rules, or adopt revised rules, to govern transactions that are subject to section 272 of the Communications Act?[398] Section 272(b)(2) requires that the affiliate required by that section maintain "books, records, and accounts in the manner prescribed by the Commission which shall be separate from the books, records, and accounts maintained by the Bell operating company of which it is an affiliate."[399] Section 272(b)(5) requires that the separate affiliate conduct all transactions with the Bell operating company "on an arm's length basis."[400] The nondiscrimination requirement found in section 272(c) requires the BOC to "account for all transactions with an affiliate . . . in accordance with accounting principles designed by or approved by the Commission."[401] Section 272(e)(4) specifies that the BOC may provide interLATA facilities or services to its interLATA affiliate if such services or facilities are made available to all carriers at the same rates and on the same terms and conditions, and so long as the costs are appropriately allocated."[402] What would be the advantages or disadvantages of applying one set of rules to transactions between BOCs and their section 272 affiliates and another set of rules (or no rules) to other transactions between incumbent LECs and other types of

[396] *Id.*

[397] Our affiliate transactions rules were adopted in 1987 to protect ratepayers of regulated telecommunications services from bearing the costs and risks associated with a carrier's nonregulated activities. *See Joint Cost Order*. The Commission revised the affiliate transactions rules to implement the statutory prohibitions against cross-subsidization in the 1996 Act. *See Accounting Safeguards Order*; 47 C.F.R. § 32.27.

[398] 47 U.S.C. § 272.

[399] 47 U.S.C. § 272(b)(2).

[400] 47 U.S.C. § 272(b)(5).

[401] 47 U.S.C. § 272(c).

[402] 47 U.S.C. § 272(e)(4).

affiliates? How would this be implemented in situations where an affiliate engages in some activities that are subject to section 272 and other activities that are not?

216. Even if we decline to make broad changes to our affiliate transactions rules, we may wish to adopt additional minor reforms along the lines of the those in the foregoing Phase II Report and Order. In particular, we seek further comment on the proposal of USTA and BellSouth to modify the centralized service exception to the affiliate transactions rules. That rule states that all services received by a carrier from an affiliate that exists solely to provide services to members of the carrier's corporate family shall be recorded at cost. For these types of affiliates, no fair market valuations are required. USTA and BellSouth have argued that this rule is too restrictive, imposes large costs on carriers to comply, and can cause an affiliate to lose its overall exemption from fair market valuation of all of its services if one service is provided outside of the corporate family.[403] USTA and BellSouth argue that, rather than applying the exception on an affiliate-by-affiliate basis, the exception should be applied on a service-by-service basis. This would allow carriers to record services provided solely within the corporate family at fully distributed cost without fair market valuation, whether or not the affiliate also provided other services outside the corporate family.

217. We seek comment on a possible *de minimis* exception that would mitigate some of the harsh consequences of our current rules raised by BellSouth.[404] We ask commenters to address whether the Commission should adopt a threshold of $500,000 for services provided by an affiliate outside the corporate family. If the Commission adopted such a threshold, an affiliate could provide up to $500,000 in services outside the corporate family without causing other services it provides solely to the corporate family to undergo fair market valuation. We also ask if there is a different appropriate dollar value threshold. Alternatively, we seek comment on whether the exception should be based on a percentage of transactional volume of the service. For example, if a service is provided outside the corporate family and the transactional volume amounts to only five or ten percent of all of the affiliate's services volume, should transactions within the corporate family remain exempt from the fair market valuation requirement? If the Commission adopts a percentage threshold, should that threshold be five percent, ten percent, or some other percentage?

B. Conforming Amendments to Part 36 Separations Rules (CC Docket No. 80-286)

218. The revisions to the Chart of Accounts described in this Report and Order affect our Part 36 jurisdictional separations rules in minor respects, as our Part 36 rules are defined in terms of existing accounts. Most of the Part 32 revisions in the attached Order consolidate Class A accounts to the Class B level. We tentatively conclude that the elimination of Class A summary accounts will require clarifying revisions to Part 36. For example, the elimination of Account 6110, Network support expense, from Class A accounting will require sections 36.310 and 36.311 of the Commission's rules to be revised to reflect Network support expenses as the sum of accounts 6112, 6113, and 6114. In contrast, Class B accounting will retain Account 6110. Therefore sections 36.310 and 36.311 will remain intact for Class B carriers, but must be revised to clarify that the use of Account 6110 is for Class B carriers only.[405]

[403] *See* USTA Comments at 16-17; BellSouth Sept. 6, 2001 *ex parte* at 2.

[404] *See* BellSouth Sept. 21, 2001 *ex parte*.

[405] *See* 47 C.F.R. §§ 36.310-311. Other sections of Part 36 affected include those sections currently referring to the following accounts; 6120, 6210, 6230, 6310 , 6410, 6510, 6530, 6610, and 7200. *See* 47

219. We also tentatively conclude that other changes to Part 36 are required as a result of the elimination of Accounts 2215, 3500, 3600, 5000, 5080, 5084, and 6710 from both Class A and Class B accounting.[406] The Part 36 sections referencing these accounts will require revisions to reflect the respective accounts now utilized. We propose to revise, wherever necessary, those Part 36 sections affected by the revisions adopted in this Report and Order. We seek comment on these proposed conforming amendments.

220. As set forth above, we adopt subaccounts for five existing accounts: 2212, Digital electronic switching; 2232, Circuit equipment, 6212, Digital electronic switching expense; 6232, Circuit equipment expense; and 6620, Services. For now, these accounts will continue to be separated in accordance with current Part 36 rules, including the requirements of the *Separations Freeze Order*, and are subject to the conforming Part 36 amendments proposed in the preceding paragraph. We seek comment on whether the creation of subaccounts warrants any modification to the separations treatment of these accounts.

221. Commenters should also suggest any additional particular Part 36 rules that should be revised, how they should be revised, and which Part 32 modification in this Order forms the basis for each suggested revision. We also seek comment on interplay of the recent *Separations Freeze Order* with any suggested revisions.[407]

222. Finally, although we believe that the effect of the revisions to the Chart of Accounts will have merely ministerial impact on our Part 36 rules, we welcome input from the Federal-State Joint Board on Separations on these issues.[408]

V. PROCEDURAL ISSUES

A. Ex Parte Presentations

223. This is a permit but disclose rulemaking proceeding. Ex parte presentations are permitted, except during the Sunshine Agenda period, provided they are disclosed as provided in the Commission's rules. *See generally* 47 C.F.R. §§ 1.1202, 1.1203, and 1.1206.

B. Paperwork Reduction Act Analysis

224. *Final Paperwork Reduction Act Analysis*. The decision herein has been analyzed with respect to the Paperwork Reduction Act of 1995, Pub. L. 104-13, and found to impose new or modified recordkeeping requirements or burdens on the public. Implementation of these new

C.F.R. §§ 36.321, 331, 341, 351, 352, 353, 352, 371, 372, and 411. Elimination of these accounts from Class A accounting will require these Part 36 sections to be updated in accordance with the Class A accounting changes adopted in this Report and Order. The current Part 36 use of these accounts will remain for Class B carriers, however, revisions to Part 36 are required to reflect that these accounts are for Class B carriers only.

[406] *See* 47 C.F.R. §§ 36.121, 124, 125, 201, 211, 212, 213, 501, and 505.

[407] On May 22, 2001, the Commission adopted an interim freeze of the Part 36 category relationships and jurisdictional cost allocation factors for price cap carriers and allocation factors only for rate-of-return carriers. Jurisdictional Separations and Referral to the Federal-State Joint Board, CC Docket No. 80-286, *Report and Order*, FCC 01-162 (rel. May 22, 2001) (*Separations Freeze Order)*.

[408] Should commenters identify impacts that would require changes to Part 36 beyond merely ministerial revisions, we would refer such issues to the Joint Board for its consideration

or modified reporting or recordkeeping requirements will be subject to approval by the Office of Management and Budget (OMB) and will go into effect upon announcement in the Federal Register of OMB approval.

C. Regulatory Flexibility Act

225. As required by the Regulatory Flexibility Act (RFA),[409] the Commission has prepared both a Final Regulatory Flexibility Analysis (FRFA) and an Initial Regulatory Flexibility Analysis (IRFA) of the possible significant economic impact on small entities by the policies and rules proposed in this Further Notice of Proposed Rulemaking and the rules adopted in this Report and Order. Both the FRFA and the IRFA are set forth in Appendix H. Written public comments are requested on the IRFA. These comments must be filed in accordance with the same filing deadlines for comments on the rest of this Further Notice of Proposed Rulemaking and they must have a separate and distinct heading, designating the comments as responses to the IRFA. The Consumer Information Bureau, Reference Information Center, will send a copy of this Report and Order and Further Notice of Proposed Rulemaking, including the FRFA and IRFA, to the Chief Counsel for Advocacy of the Small Business Administration.[410] In addition, the Report and Order and Further Notice of Proposed Rulemaking and FRFA and IRFA (or summaries thereof) will be published in the Federal Register.[411]

D. Comment Filing Procedures

226. Pursuant to sections 1.415 and 1.419 of the Commission's rules, 47 C.F.R. §§ 1.415, 1.419, interested parties may file comments on or before sixty days from date of publication in the Federal Register (for issue A) and thirty days from date of publication in the Federal Register (for issue B), and reply comments on or before ninety days from date of publication in the Federal Register (for issue A) and forty-five days from date of publication in the Federal Register (for issue B). Comments may be filed using the Commission's Electronic Comment Filing System (ECFS) or by filing paper copies.[412]

227. Comments filed through the ECFS can be sent as an electronic file via the Internet to <http://www.fcc.gov/e-file/ecfs.html>. Generally, only one copy of an electronic submission must be filed. If multiple docket or rulemaking numbers appear in the caption of this proceeding, however, commenters must transmit one electronic copy of the comments to each docket or rulemaking number referenced in the caption. In completing the transmittal screen, commenters should include their full name, Postal Service mailing address, and the applicable docket or rulemaking number. Parties may also submit an electronic comment by Internet e-mail. To get filing instructions for e-mail comments, commenters should send an e-mail to ecfs@fcc.gov, and should include the following words in the body of the message, "get form <your e-mail address." A sample form and directions will be sent in reply.

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[409] *See* 5 U.S.C. § 603. The RFA, *see* 5 U.S.C. § 601 *et seq.*, has been amended by the Contract With America Advancement Act of 1996, Pub. L. No. 104-121, 110 Stat. 847 (1996) (CWAAA). Title II of the CWAAA is the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA).

[410] *See* 5 U.S.C. § 603(a).

[411] *Id.* §§ 603(a), 604(b).

[412] *See* Electronic Filing of Documents in Rulemaking Proceedings, 63 Fed. Reg. 24,121 (1998).

228. Parties who choose to file by paper must file an original and four copies of each filing. If more than one docket or rulemaking number appear in the caption of this proceeding, commenters must submit two additional copies for each additional docket or rulemaking number. All filings must be sent to the Commission's Secretary, Magalie Roman Salas, Office of the Secretary, Federal Communications Commission, 445 12th Street, S.W., Washington, D.C. 20554.

229. Parties who choose to file by paper should also submit their comments on diskette. These diskettes should be submitted to: Ernestine Creech, Accounting Safeguards Division, 445 12th Street, S.W., Washington, D.C. 20554. Such a submission should be on a 3.5-inch diskette formatted in an IBM compatible format using Word or compatible software. The diskette should be accompanied by a cover letter and should be submitted in "read only" mode. The diskette should be clearly labeled with the commenter's name, proceeding (including the docket number, in this case CC Docket Nos. 00-199, 99-301, and 80-286, type of pleading (comment or reply comment), date of submission, and the name of the electronic file on the diskette. The label should also include the following phrase "Disk Copy - Not an Original." Each diskette should contain only one party's pleadings, preferably in a single electronic file. In addition, commenters must send diskette copies to the Commission's copy contractor, Qualex International, Portals II, 445 12th Street, SW, Room CY-B402, Washington, DC, 20554.

230. Written comments by the public on the proposed and/or modified information collections are due on or before thirty days after the date of publication in the Federal Register. Written comments must be submitted by the Office of Management and Budget (OMB) on the proposed and/or modified information collections on or before 60 days after date of publication in the Federal Register. In addition to filing comments with the Secretary, a copy of any comments on the information collections contained herein should be submitted to Judy Boley, Federal Communications Commission, Room 1-C804, 445 12th Street, S.W., Washington, DC 20554, or via the Internet to jboley@fcc.gov and to Edward Springer, OMB Desk Officer, 10236 NEOB, 725 - 17th Street, N.W., Washington, D.C. 20503.

VI. ORDERING CLAUSES

231. Accordingly, IT IS ORDERED that, pursuant to sections 1, 4, 201-205, 215, and 218-220 of the Communications Act of 1934, as amended, 47 U.S.C. sections 151, 154, 201-205, 215, and 218-220, Parts 32 and 64 of the Commission's rules, 47 C.F.R. Parts 32 and 64, are amended as described above and in Appendix F below.

232. IT IS FURTHER ORDERED that, pursuant to section 220(g) of the Communications Act of 1934, as amended, 47 U.S.C. § 220(g), changes to our Part 32, System of Accounts, adopted in this Report and Order shall take effect six months after publication in the Federal Register following OMB approval, unless a notice is published in the Federal Register stating otherwise. We will, however, permit carriers to implement Part 32 accounting changes as of January 1, 2001.

233. IT IS FURTHER ORDERED that, pursuant to the authority contained in sections 4(i), 4(j), 11, 201(b), 303(r), and 403 of the Communications Act of 1934, as amended, 47 U.S.C. sections 154(i), 154(j), 161, 201(b), 303(r), and 403, this Further Notice of Proposed Rulemaking in CC Docket Nos. 80-286, 99-301, and 00-199 IS ADOPTED.

234. IT IS FURTHER ORDERED that the proceeding in CC Docket No. 97-212 is TERMINATED.

235. IT IS FURTHER ORDERED THAT, pursuant to the authority contained in sections 1, 4(i), 4(j), 201-205, 215, and 218-220 of the Communications Act of 1934, as amended, 47 U.S.C. sections 151, 154(i), 154(j), 201-205, 215, and 218-220, that FCC Report 43-04, the Separations and Access Report IS REVISED, as set forth above and in Appendix G to this Report and Order, effective for filings due April 1, 2002.

236. IT IS FURTHER ORDERED THAT, pursuant to the authority contained in sections 1, 4(i), 4(j), 201-205, 215, and 218-220 of the Communications Act of 1934, as amended, 47 U.S.C. sections 151, 154(i), 154(j), 201-205, 215, and 218-220, that revisions to FCC Report 43-01, the Annual Summary Report; FCC Report 43-02, the USOA Report; FCC Report 43-03, the Joint Cost Report; FCC Report 43-07, the Infrastructure Report; and 43-08, the Operating Data Report as set forth above, shall be effective for filings due April 1, 2003.

237. IT IS FURTHER ORDERED THAT, pursuant to the authority contained in section 0.291 of the Commission's rules, 47 C.F.R. § 0.291, that the Common Carrier Bureau IS DELEGATED authority to implement all changes to ARMIS reporting as above set forth.

238. IT IS FURTHER ORDERED that the Commission's Consumer Information Bureau, Reference Information Center, SHALL SEND a copy of this Report and Order and Further Notice of Proposed Rulemaking, including the two Regulatory Flexibility Analyses, to the Chief Counsel for Advocacy of the Small Business Administration.

FEDERAL COMMUNICATIONS COMMISSION

Magalie Roman Salas

Magalie Roman Salas
Secretary